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ABSTRACT

This handbook is intended to assist the School Food Authority and those responsible for recording and reporting on the various financial activities of a school food service fund. It describes in a completely detailed form uniform accounting systems suitable for use by all school food authorities. The material, oriented toward the average-to-larger school system, contains (1) an introduction to the principle of accounting; (2) an overview of the small school food service fund accounting system; (3) charts and explanations of the different types of accounts used in the system; (4) procedures for preparing and using reports; (5) an expanded chart of accounts; (6) detailed school food service revenue accounting procedures; (7) payroll procedures; (8) expenditure accounting for food, supplies, equipment, and services; and (9) definitions of terms used. The procedure described has been designed to provide a system that (1) combines simplicity with all the required information according to generally accepted accounting principles; (2) provides all types of internal information (for cafeteria, school, and school district managers) and external information for all other interested parties, e.g., local, State, and Federal Government officials; (3) demands accuracy and internal control; and (4) possesses consistency and uniformity although it crosses cafeteria and district lines. To meet these criteria, the system features (1) accrual accounting; (2) double entry bookkeeping; and (3) a set of procedures for recording revenue and expenditures, and for allocating costs. (Author/EA)

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SCHOOL FOOD SERVICE

FINANCIAL MANAGEMENT HANDBOOK

for

UNIFORM ACCOUNTING

Complete System

UNITED STATES DEPARTMENT OF AGRICULTURE FOOD AND NUTRITION SERVICE

FNS-104 July 1973

EA 005 587

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FOREWORD

PURPOSE OF THE HANDBOOK

This handbook is intended to assist the School Food Authority and those responsible for recording and reporting on the various financial activities of a school food service fund. Without an adequate accounting system to capture the financial history and present the financial status of a school food service, food service management would be reduced to memory and guesswork. The handbook describes uniform accounting systems suitable for use by all school food authorities. It may be used in whole or in part depending upon the accounting system currently in use and its ability to achieve the results described in this handbook.

CONTENT OF THE HANDBOOK

The handbook contains the following material, oriented toward the average-to-larger school systems:

- an introduction to the principle of accounting.
- an overview of the school food service fund accounting system.
- charts and explanations of the different types of accounts used in the system.
- procedures for preparing and using reports.
- definitions of terms used.

CRITERIA FOR THE SYSTEM

The school food service accounting system described in this handbook has been designed to meet the following criteria:

1. The system must be as simple as possible, but yet must provide all required information according to generally accepted accounting principles.
2. The system must provide all types of internal information, including information for cafeteria, school, and school district managers, and external information for all other interested parties, including local, state, and federal governmental officials.

3. Although it should be simple, the accounting system must demand accuracy and internal control.

4. The system must be consistent and uniform although it crosses cafeteria and district lines. Only in this manner can local, state, and federal officials make valid comparisons between entities over long periods of time.

To meet these criteria, the system contains the following features:

- accrual accounting
- double entry bookkeeping.
- a set of procedures for:
  - recording revenue;
  - recording expenditures; and
  - allocating costs.

To provide the basis for implementation of the system, this handbook specifies a set of journals and ledgers, including subsidiary ledgers, and a chart of accounts.

CHAPTER I

PRINCIPLES OF ACCOUNTING IN SCHOOL FOOD SERVICE ADMINISTRATION

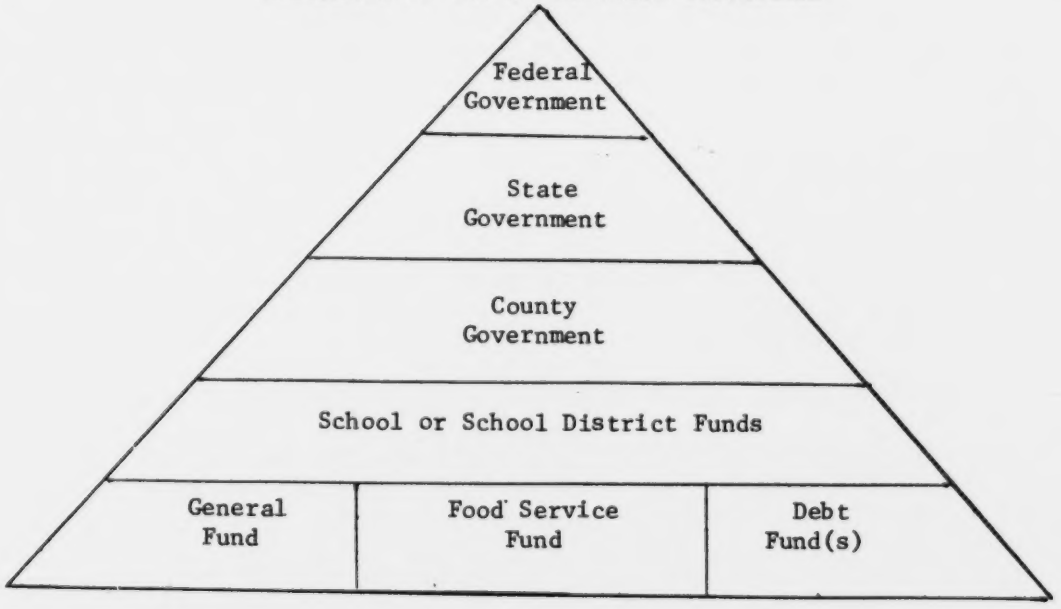
INTRODUCTION

Generally accepted accounting principles apply to all enterprises, whether large corporations or small enterprises, such as school cafeterias. No matter what their size, cafeterias own assets, owe debts, earn revenue, and incur costs. They are required to report these transactions, not only to internal management, but also to a wide range of external parties, including local, state, and Federal Government agencies, school boards and elected legislative bodies, the public (i.e., taxpayers), and the various private enterprises which may extend credit to a food service fund.

Although a school food service fund is a self-contained entity, it is also a system within many other systems. It must be responsive to the parent school district, county administration, and the state and Federal Governments and, therefore, is somewhat constrained by its relative position within these systems. This "business" or fund is shown diagrammatically in Figure I.1

FIGURE I.1

HIERARCHY OF SCHOOL DISTRICT SUBSYSTEMS



Given the natural constraints imposed by this hierarchy, school food service operations must have effective management and financial reporting. As a minimum, an accounting system for a school food service fund should perform the following functions:

- maintain accurate records of all financial transactions;
- allow food service management and school district administrators to plan effectively;
- enable food service management to submit reports on financial operations to local, state, and federal agencies;
- ensure that costs are properly applied to the school food service resources; and
- ensure that resources are used only for their designated purposes.

This manual describes a school food service accounting system which fulfills those needs. Since, in many of these school food service operations, personnel with little or no accounting background are required to have a comprehensive understanding of the entire operation, some basic knowledge of accounting terminology and principles will be helpful to them.

To assist school personnel in understanding the debit-credit structure, Chapter I presents the basic accounting vocabulary, introduces the most common reports used in accounting, and shows how accounting information applies to food service financial operations.

ACCOUNTING TERMS AND PRINCIPLES

What is Accounting?

Accounting is the recording, summarizing, reviewing and interpreting of business transactions and their effects on the affairs and activities of an organizational unit.

Accounting for any enterprise consists of the following aspects:

- system design - designing internal controls and recording methods for a particular entity (in this case, the system designed for school food service fund accounting);
- bookkeeping - keeping records of the entity's financial transactions;

- auditing - testing the accuracy and propriety of these records; and

- analysis and reporting - making known to others the information contained in financial records and its significance.

This handbook introduces a bookkeeping and reporting system for use by a school food service operating entity. The auditing function will normally be carried out by the school district, by other governmental agencies, or by independent accounting firms.

The Accounting Equation

An individual's financial position is made up of the valuable possessions or resources owned by him, on the one hand, counterbalanced by his debts, on the other. The difference between the dollar measure of his resources and the dollar measure of his debts is commonly called "equity" or "net worth." (Another synonym for equity used more normally in school accounting is "fund balance.") In equation form, the principle of financial accounting is stated:

ASSETS	minus	LIABILITIES	equals	EQUITY
(what is owned)		(what is owed)		(net worth or fund balance)

Assets

A food service's assets include all items, both tangible and intangible, of value to the operation which are currently owned by the food service fund, are being used or are available for future use, and are measurable in money. Most assets are classified as either "current" or "fixed."

Current Assets

A current asset is cash or any item that can be readily converted into cash. The following common food service items are examples of current assets:

- cash received from the sale of cafeteria meals;

- supplies in the cafeteria stockroom;

- a check received from the advance sale of lunch tickets which is awaiting deposit in a bank; and

- accounts receivable, such as money due the school food service fund from the state.

Fixed Assets

A fixed asset is an item of lasting value (usually more than one year), which is not likely to be sold for cash, is owned by the school district, and is assigned as the property of a school food service fund. An example of a fixed asset is equipment used for processing food.

Other Assets

"Other assets" is a balance sheet term for minor assets not classifiable under current asset or fixed asset headings. These assets include prepaid taxes, insurance, and deferred expenses.

Liabilities

Liabilities are any debts the school food service owes. Liabilities are classified as either "current" or "long term."

Current Liabilities

Current liabilities can be defined as those debts which will come due for payment within a year. The following items are two examples of current liabilities: (1) an amount owed for food purchased; and (2) income tax withholdings from salaries of employees which are not yet paid to the government.

Long-Term Liabilities

A long-term liability is a debt which the school district is not likely to pay within a year. For example, the amounts of mortgages for equipment which are due beyond the current accounting year are considered to be long-term liabilities.

Funds

The assets, liabilities, and fund balance (or net worth) of each of a school district's "businesses" constitutes a fund. Stated another way, a fund is an independent accounting entity with its own assets, liabilities, and fund balance. Generally, funds are established to account for the financing of specific activities of a school district's operations. The school's food service operation is one of these specific activities. A separate fund is required for school food service operations to give financial control and provide a clear presentation of revenues and expenditures.

BASIC ACCOUNTING REPORTS

Balance Sheet

The foregoing basic accounting terms and principles are essential to one of the most fundamental accounting reports, the balance sheet. The balance sheet (or position statement, as it is also known) is one of the major reports recommended for use in the analysis of the food service operations. The balance sheet itself clearly reflects the structure of the accounting mechanism and, for this reason, is presented at this point as a basis for understanding the accountant's debit and credit language.

The purpose of the balance sheet is to show the financial position of an organization at a given point in time. Basically, it consists of reporting the dollar amount of assets, usually on the left-hand side of the balance sheet, and the dollar amount of existing debts on the right-hand side along with the fund balance. Thus, the balance sheet actually represents in report form the accounting equation developed earlier. The report also contains all of the basic accounting elements of assets and liabilities which were previously discussed.

Figure I.2 is a condensed balance sheet depicting the skeletal structure of the balance sheet.

FIGURE I.2

MORRISTOWN SCHOOL

FOOD SERVICE OPERATIONS

BALANCE SHEET AS OF DECEMBER 31, 19XX

Assets		Liabilities and Fund Balance		
Current	$30,000	**Liabilities**		
Fixed	60,000	Current	$20,000	
Other	10,000	Long-term	15,000	
				$35,000
		Fund Balance		65,000
	$100,000			$100,000

Double Entry Bookkeeping

The balance sheet illustrates the basic manner by which the business transactions of the food service operation are recorded. The method is called "double entry bookkeeping" and is one of the principles of good accounting.

In double entry bookkeeping, transactions are recorded (posted) in one type of book, called a journal, and subsequently are posted again in another book called the general ledger, which contains accounts (descriptive headings). A journal is the book in which each individual financial transaction is recorded in detail. The general ledger contains the basic group of accounts, usually with one page alloted for each account. A listing of all the accounts in the general ledger is called the chart of accounts. An illustration of each of these books is included in the Appendices with examples of how transactions are recorded.

The principles of double entry bookkeeping, which underlie proper accounting for all transactions, have been explained in terms of journals, the general ledger, and the balance sheet. The same principles apply to recording and accounting for those accounts from which an income statement is derived.

The Income Statement

The income statement is a report which has long been unique to food service accounting. Few other school funds provide this financial statement as a part of their usual reporting or accounting structure because the school food service is run more like a commercial enterprise or a business than are other school funds. The profit (excess of revenue over costs) or the loss (excess of costs over revenue) of the school food service is measured and reported using the income statement concept.

The income statement is often referred to as the operating statement, and it should portray the ongoing activities of a food service operation. It should show the relationship between expenses and sales for a given period and give some insight into the operating efficiency of the service or food preparation unit. The major report components of the income statement are revenue, expenses, and net income (the difference between revenue and expenses). Figure I.3 is an example of an income statement. More detailed forms of this report will be discussed in Chapter IV and the appendices.

FIGURE I.3

MORRISTOWN SCHOOL

INCOME STATEMENT

FOR THE PERIOD ENDING DECEMBER 31, 19XX

Revenue	
Sale of Lunches	$5,500
Federal Reimbursement	500
State Reimbursement	200
	$6,200
Less:	
Expenses	
Food and Labor Costs	$3,100
Operating Expenses	2,600
	$5,700
Equals: Net income for the month of December, 19XX	$ 500

Revenue

Income revenues for a school cafeteria are the total gross increase in fund balance before costs and expenses are deducted. Sales revenue is the total amount collectible from customers for the sale of goods and services during an accounting period.

Revenue is recorded when a sale is made or when a service is rendered, regardless of when cash changes hands. Such revenue is often referred to as accrued revenue. In accrual accounting, all revenues and expenses are recorded when they are earned or incurred, whether payment precedes, is simultaneous with, or follows in time. Therefore, revenue must be contrasted with the inflow of cash. Cash may be received from cash sales, from advance (ticket) sales, or from the payment of accounts receivable and, therefore, may be greater or less than revenues earned during any given period.

Expense

An expense results when an item of value, i.e., cash or assets (merchandise or machinery), is given up intentionally to produce revenue. Expenses may also be viewed as amounts that are subtracted from revenues on the income statement to obtain net income. They must be recorded and reported as subtractions from the revenues of the period to which they pertain.

This is why food inventory, for instance, should be "expensed" as it is used—not when it is purchased, and why food processing equipment and special food service costs should be spread, or depreciated, over the useful life of such equipment. It would be wrong to absorb the full cost of a newly purchased baking oven in the month in which it was purchased or when cash was remitted for the purchase. The cost should be spread over the periods of expected use; for example, each month for a period of several years. Food and supply inventories should be treated in a similar manner; they become "expenses" when used, rather than when purchased. Again, the concept of accrual accounting is to be applied.

Net Income

In the simplest terms, income revenue minus expenses equals net income (or net loss, if expenses are greater than revenue). Stated in terms relative to the income statement and balance sheet, net income is the earnings which food service management has produced for a specified period of time. Net income (or loss) increases (or decreases) the fund balance on the balance sheet for an accounting period.

PROCESSING OF ACCOUNTING TRANSACTIONS

Thus far, two fundamental accounting reports (the balance sheet and the income statement) have been defined and discussed in terms of the accounting principles relating to them. How accounting works from a bookkeeping standpoint has also been briefly discussed in terms of the books of account (the journals and the general ledger). Accounting transactions can now be examined in detail to see how they are processed and to see the relationship of debits and credits to assets, liabilities, and fund balance.

A sample set of financial books is presented below. Three types of entries (transactions) will be demonstrated: (1) entries to open, or establish, the books of account; (2) entries to show transactions as they occur during the accounting period; and (3) entries to close the books for an accounting period. The brief examples discussed below are introductory and are meant to demonstrate the accounting principles already explained. More detailed entries will be illustrated in the specific chapters dealing with detailed food service operating procedures.

Opening of the Books of Account

It is assumed that the school year has just started and that it will be necessary to establish the various asset, liability, and fund

balance accounts. A hypothetical food service fund has the following assets and liabilities at this time:

Assets		Liabilities and Fund Balance		
Current Assets		**Current Liabilities**		
Cash in Bank	$20,000	Accounts Payable	$ 8,500	
Change Funds	2,000	Salaries Payable	15,000	
Due from Federal Government	8,000	Total Current Liabilities		$23,500
Due from State Government	3,000	**Long Term Liabilities**		none
Fixed Assets	none	**Fund Balance**		9,500
Other Assets	none	Total Liabilities and Fund Balance		$33,000
Total Assets	$33,000			

The total liabilities are subtracted from the total assets, and the difference ($9,500) is the fund balance. With this information, it is possible to prepare an opening entry in a general journal from a journal voucher and, subsequently, in the general ledger. The sequence and explanation of required events follows.

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[1] To simplify the explanation, no fixed assets or long-term liabilities have been presented in this example.

Recording in the Journal

The beginning asset, liability, and fund balance accounts are recorded. Figure I.4 shows the balance recorded on a journal voucher.

FIGURE I.4

THE JOURNAL VOUCHER

Approved by:_____
Date Posted:_____ Posted by:_____ Number _____

Date	Account Title and Explanation	Account No.	Debit Amount	Credit Amount
July 1, 19XX	Cash in Bank	1010D	20,000	
	Change Funds	1030D	2,000	
	Due from Federal Government	1130D	8,000	
	Due from State Government	1131D	3,000	
	Accounts Payable	2010C		8,500
	Salaries Payable	2020C		15,000
	Fund Balance	2710C		9,500
	to record assets, liabilities and fund balance as of July 1, 19XX			

Recording the opening entries in the journal from the journal voucher is a straightforward procedure as follows:

- The date all opening entries are made is posted.
- Those accounts which will be entered as debit amounts are written at the left margin in the "Account Title and Explanation" block; the accounts to be credited are indented in this block.
- A block entitled "Post Ref." (posting reference) on the journal is used to record the individual general ledger account to which each journal line entry is to be posted (entered).
- Debit and credit amounts are posted in the appropriate column—assets are entered in the debit column, and liabilities and fund balance are entered in the credit column.

The above journal voucher introduces the accounting terms "debit" and "credit." The following chart is provided to guide the reader who is unfamiliar with debits and credits and their use.

	When Debited	When Credited	Normal Account Balance
Asset Account Balances	increase	decrease	debit
Liability Account Balances	decrease	increase	credit
Fund Account Balances	decrease	increase	credit
Income Account Balances	decrease	increase	credit
Cost and Expense Account Balances	increase	decrease	debit

The fundamental rule that "debits equal credits" may never be violated no matter how complex a transaction is. The general ledger is so constructed that each account will have two sides (debit side and credit side) with debits recorded on one side and credits on the other. As shown above, the nature of the account determines the side to be used for increases or decreases. Note that the side increased is also the side of the normal account balance.

Posting to the General Ledger

After the journal has been posted, the entries are posted to the general ledger, as illustrated in Figure I.5.*

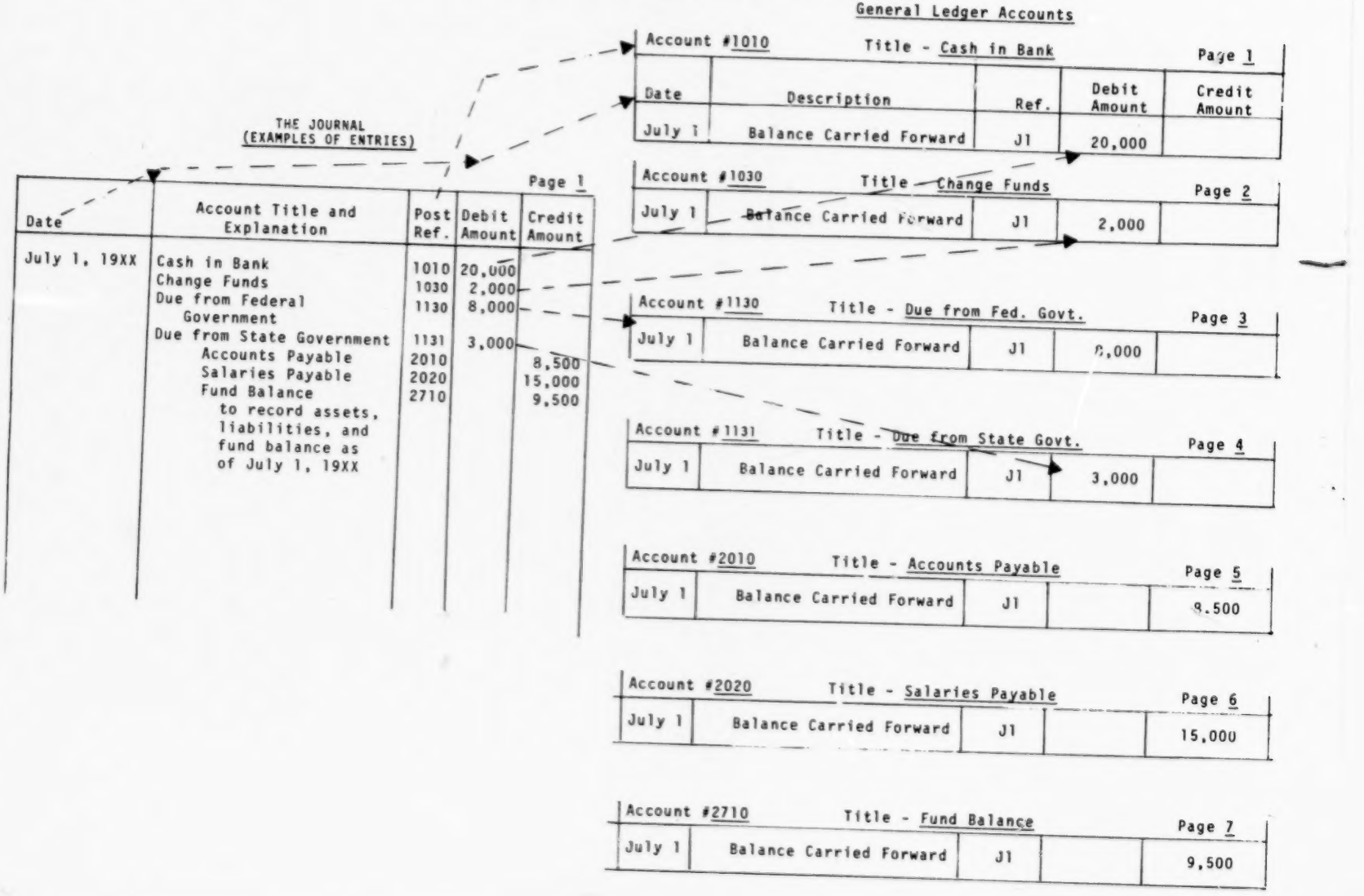
Note that each account is maintained on a separate page in the general ledger. The following cross-reference information is posted in the general ledger:

. Date - the same date that appears in the journal;

* Any general ledger account numbering system can be used for identifying general ledger accounts. The numbering system usually depends upon what is used in a particular school system or within a district. The numbering system used in this manual is for illustrative purposes only.

FIGURE I.5

POSTING FROM A JOURNAL TO THE GENERAL LEDGER ACCOUNTS


General Ledger Accounts
THE JOURNAL
(EXAMPLES OF ENTRIES)
Page 1
Date
Account Title and Explanation
Post Ref.
Debit Amount
Credit Amount
July 1, 19XX
Cash in Bank 1010 20,000
Change Funds 1030 2,000
Due from Federal Government 1130 8,000
Due from State Government 1131 3,000
Accounts Payable 2010 8,500
Salaries Payable 2020 15,000
Fund Balance 2710 9,500
to record assets, liabilities, and fund balance as of July 1, 19XX
Account #1010 Title - Cash in Bank Page 1
Date Description Ref. Debit Amount Credit Amount
July 1 Balance Carried Forward J1 20,000
Account #1030 Title - Change Funds Page 2
July 1 Balance Carried Forward J1 2,000
Account #1130 Title - Due from Fed. Govt. Page 3
July 1 Balance Carried Forward J1 8,000
Account #1131 Title - Due from State Govt. Page 4
July 1 Balance Carried Forward J1 3,000
Account #2010 Title - Accounts Payable Page 5
July 1 Balance Carried Forward J1 8,500
Account #2020 Title - Salaries Payable Page 6
July 1 Balance Carried Forward J1 15,000
Account #2710 Title - Fund Balance Page 7
July 1 Balance Carried Forward J1 9,500

. Description - a brief description of the purpose of the entry when appropriate; and

. Ref - the journal page on which the entry was originally made.

Ledger debit and credit amounts must match the journal debit and credit amounts. When each line of the opening entry in the journal has been posted to the general ledger, the opening procedure is completed, and the books of account are ready to receive the first month's financial transactions.

Processing of Transactions

To illustrate the steps involved in processing transactions, it is assumed that the following financial transactions are made (refer to Figures I.6 and I.7 to follow the transactions):

1. On September 1, 19XX, $150 worth of food is purchased for serving on September 2, 19XX.

2. On September 2, 19XX, $200 in cash is received from the cafeteria cashier from the sale of meals and deposited in the bank, and all the food inventory is used for serving.

3. On September 3, 19XX, the Federal Government reimburses the school food service fund for $1,000.

4. On September 4, 19XX, the State Government reimburses the school food service fund for $750.

Ledger accounts are used to accumulate revenues and expenditures during the month and are posted to the general ledger either in total or by individual amounts. At the end of the month, the difference between revenues and expenditures is calculated, and this difference is computed to the fund balance account. Transaction posting to a journal during the month is as described below.

FIGURE I.6

EXAMPLES OF ENTRIES
TO THE GENERAL LEDGER

Page 1

Date	Account Title and Explanation	Post Ref.	Debit Amount $	Credit Amount $
July 1, 19XX	Cash in Bank	1010D	20,000	
	Change Funds	1030D	2,000	
	Due from Federal Government	1130D	8,000	
	Due from State Government	1131D	3,000	
	Accounts Payable	2010C		8,500
	Salaries Payable	2020C		15,000
	Fund Balance	2710C		9,500
	to record assets, liabilities and fund balance as of July 1, 19XX.			
Sept. 1, 19XX	Food Inventory	1210D	150	
	Accounts Payable	2010C		150
Sept. 2, 19XX	Cash in Bank	1010D	200	
	Sales to Pupils	3010C		200
Sept. 2, 19XX	Food Costs	4600D	150	
	Food Inventory	1210C		150
Sept. 3, 19XX	Cash in Bank	1010D	1,000	
	Due from Federal Government	1130C		1,000
Sept. 4, 19XX	Cash in Bank	1010D	750	
	Due from State Government	1131C		750

As can be seen from Figure I.6, transaction posting is performed by the same method as that used to make the opening journal entries. The subsequent general ledger posting would appear as shown in Figure I.7.

FIGURE I.7

TRANSACTION POSTING TO THE GENERAL LEDGER

Account # 1010 Title-Cash in Bank Page 1

Date	Description	Ref.	Debit Amount	Credit Amount	Balance
July 1	Balance carried forward	J1	20,000		
Sept. 2	Revenue from Sales to Pupils	J1	200		
Sept. 3	Reimbursement from Federal Government	J1	1,000		
Sept. 4	Reimbursement from State Government	J1	750		D 21,950
Account # 1030	Title-Change Funds				Page 2
July 1	Balance carried forward	J1	2,000		D 2,000
Account # 1130	Title-Due from Federal Government				Page 3
July 1	Balance carried forward	J1	8,000		
Sept. 3	Reimbursement received	J1		1,000	D 7,000
Account # 1131	Title-Due from State Government				Page 4
July 1	Balance carried forward	J1	3,000		
Sept. 4	Reimbursement received	J1		750	D 2,250
Account # 1210	Title-Inventory Food				Page 5
Sept. 1	Puchases	J1	150		
Sept. 2	Consumed for Sept. 2 serving			150	-0-
Account # 2010	Title-Accounts Payable				Page 6
July 1	Balance forward			8,500	
Sept. 1	Food purchases	J1		150	C 8,650
Account # 2020	Title-Salaries Payable				Page 7
July 1	Balance forward			15,000	C 15,000
Account # 2710	Title-Fund Balance				Page 7
July 1	Balance forward			9,500	C 9,500
Account # 3010	Title-Sales to Pupils				Page 8
Sept. 2	Revenue received	J1		200	C 200
Account # 4600	Title-Food Costs				Page 9
Sept. 2	From inventory		150		D 150

Transactions involving the receipt of cash from the State and Federal Governments included increasing one current asset (cash) and decreasing another (accounts receivable). No revenue accounts were affected by either transaction, because the revenue was recognized in a prior accounting period, probably when a reimbursement claim was submitted by the school district. The accounts receivable and revenue accounts were increased at that time. This procedure illustrates the accrual method of accounting. Cash was not recognized as revenue when it was received (in these two instances, on September 3 and September 4). Revenue was recognized when an amount became due to the food service fund. In contrast, the September 2 transaction shows revenue being recorded on the day cash was received from pupils and deposited in the bank. In this case, the cash was received when the income was earned. Another example of how accrual accounting works is that the food cost is recognized when consumed even though cash has not been expended.

Trial Balance

A trial balance should be prepared at the end of each month (or other accounting period) to expose bookkeeping errors and to aid in preparing financial statements. The trial balance is merely a listing of all the ledger account balances in account order. It is called a trial balance because it is the first attempt after the ledger is posted to prove that the debits and credits balance (i.e., that they equal each other).

The following is a trial balance of the transactions posted to the general ledger in Figure I.7.

Trial Balance

Account Number	Description	Debit	Credit
1010	Cash in Bank	$21,950	
1020	Change Funds	2,000	
1130	Due from Federal Government	7,000	
1131	Due from State Government	2,250	
1210	Inventory Food	-0-	
2010	Accounts Payable		$ 8,650
2020	Salaries Payable		15,000
2710	Fund Balance		9,500
3010	Sales to Pupils		200
4600	Food Costs	150	
		$33,350	$33,350

Closing of Entries

At the end of each accounting period, the net income or loss is transferred informally to the fund balance account when the income statement and balance sheet are prepared. However, at the end of an accounting year, the transfer of net income or loss is made formally on a journal voucher of closing entries.

The closing entries are prepared by making an entry to each of the income and expense accounts to bring each account balance to zero. The balance amount (which is the difference between the debits and credits necessary to bring these amounts to zero) is debited or credited to the fund balance account. For the accounts shown in the trial balance above, the journal voucher would include the entries shown in Figure I.8.

FIGURE I.8

EXAMPLE OF CLOSING ENTRIES
THE JOURNAL VOUCHER

Approved by: _____ Number _____
Date Posted: _____ Posted by: _____

Date	Account Title and Explanation	Account No.	Debit Amount	Credit Amount
Sept. 30	Sales to Pupils	3010	200	
	Food Costs			150
	Fund Balance			50

After the postings to the above entries are made, the sales to pupils and the food costs accounts will now have a zero balance, and the fund balance account will be $9,550. This fund balance amount of $9,550 and the other accounts in the trial balance will make up the opening entries for the next accounting period. Remember, however, that formal entries by means of a journal voucher are made only at the end of an accounting year. This example shows only a few entries for one month and, in practical circumstances, would not be formally closed.

Additional Journals

Thus far, the accounting principles and illustrations on the use and application of journals and the general ledger have involved only one journal, the general journal. This has been done to facilitate the explanation of how these two books of account relate to each other and how transactions are posted to each type of account book. It is recommended, however, that in addition to the general journal, several different journals be used to record specific transaction types which recur frequently. These additional journals are described below:

- Purchase Journal - used to record the expenses and liabilities associated with purchases of outside goods and services;
- Disbursements Journal - essentially used as a checkbook to record disbursements from the operating bank account;
- Payroll Journal - used to record all payroll related transactions; which are deposited in the bank account; and
- Receipts Journal - used to record all receipts which are deposited in the bank account.

Posting from these journals is on a monthly basis; when posting to the general ledger, the total debits and credits to each account are posted from the journals. When using totals from multiple transaction journals, the date recorded in the general ledger is the last day of the month.

In some instances it may be advisable to combine the disbursements and receipts journal into one journal called the cash receipts and disbursements journal. These journals should be combined only when it will not result in a clutter of information.

Additional Ledgers

The illustrations thus far have assumed only a single ledger, the general ledger. However, it is recommended that three subsidiary ledgers be maintained in addition to the general ledger. These subsidiary ledgers, discussed below, give detail not available in the general ledger.

- Revenue Ledger - used to record revenues at the program account level;
- Payroll Ledger - used to record labor costs at both the program and function levels; and
- Vendor Ledger - used to record purchases, accounts payable, and payments by vendor.

All transactions posted to the subsidiary ledgers also must be posted to the general ledger. Posting to the payroll and vendor ledgers should occur at the same time journal entries are made, while posting to the general ledger and revenue ledger may be postponed until the end of a month.

These procedures assume that a school food service fund consists solely of a single school cafeteria. For all funds having multiple cafeterias and central administration, a separate set of accounts should be maintained for each location.

FUND ACCOUNTING AS APPLIED TO FOOD SERVICE OPERATIONS

The school food service accounting system described in this manual uses fund accounting as one technique for achieving effective management and financial reporting. Recognizing that most food service financial procedures, including accounting, are performed at both the school and school district levels, the following overview of fund accounting will serve as a guide for food service administrators in identifying where these individual procedures are to be performed (i.e., at the individual school location or at a school district's accounting office).

Food Service as an Accounting Entity

As stated earlier, a fund is an independent accounting entity with its own assets, liabilities, and fund balance. It is established to account for financing specific activities of a school district's operations. A separate fund is required for school food service operations to give financial control and a clear presentation of revenues and expenditures.

The school food service fund is an accounting entity within the local education agency's total accounting system and has a separate self-balancing set of accounts, as if the school food service fund were a separate enterprise. For accounting purposes, transactions among the various other school funds are similar to transactions among separate enterprises.

Features of Fund Accounting System

Some of the important characteristics of this system of fund accounting include:

- Accrual Basis Fund Accounting - Under this system, revenue is recognized when it is earned (regardless of when cash is received), and expenses are recognized when purchased goods are used and/or services are performed (regardless of when cash is paid). Accrual accounting for expenditures is maintained on a continuous basis; that is, expenses are accrued and entered into the books currently throughout the month, as food and supplies are used. Similarly, accrual accounting for revenues is maintained on a continuous basis.

- Simplified Manual Bookkeeping Techniques - All procedures are specified for non-automated food service facilities; however, the basic systems can be adapted or expanded into fully automated data processing systems.

- Periodic Reporting of Financial Activities - A group of reports necessary to fulfill management information needs, as well as external reports to satisfy the needs of State and Federal Governments, are provided.

- Standardized Accounts - Accounts are defined fully to ensure consistency in reporting by all schools participating in food service programs.

- Program and Function Accounting - This type of accounting determines meal costs by type of meal served and measures the efficiency of various activities within a food service operation.

Structure of Food Service Accounts

To operate a fund accounting system as described above, it is necessary to have an appropriate, consistent scheme for classifying transactions. The following classifications are used to account for food service fund assets, liabilities, revenues, and expenses:

. function (optional);

. program;

. school location; and

. general ledger account.

Function classifications identify areas of cost responsibilities for management information at the school level. Program classifications identify types of meals served and are applied only to revenue and expense items. School location classifications identify individual cafeterias, so that reimbursement and management information may be prepared for each. General ledger account classifications identify expense, revenue, asset, liability, and fund balance accounts.

Each transaction processed through the system must be identified by at least one school location account (one for each entry of the transaction—debit and credit). Transactions affecting revenues must also be identified by an appropriate program account, while expenditure transactions must be identified by program and function accounts. A listing and definitions of all accounts appear in Chapter II.

Food Service Source Documents

Effective fiscal control in school cafeteria accounting systems depends upon the use of properly executed and approved source documents to initiate financial transactions. Source documents record the details behind individual transactions, thus providing information necessary for current financial decision making, as well as for historical traceability. Source documents permit a means for determining responsibility for individual transactions and also permit a system of checks and balances among food service employees. Although it is important that source documents be complete, they should not be cumbersome; moreover, only "need to know" information should be collected on these documents, i.e., information which is necessary for state and federal reimbursement or for management decisions.

The source documents required for a basic food service financial management system are listed and described below. Illustrations of such source documents appear in the appendixes.

Employee Time and Attendance Sheet

The employee time and attendance sheet is used to record labor hours and labor costs. The form is used by each employee to record the amount of time worked on each activity during a bi-weekly pay period. Each employee should record the number of hours worked in each program, or type of meal (e.g., type A lunch). The programs are explained in Chapter II.

Time and attendance should be recorded in units to the nearest quarter hour; total hours for an entire pay period should be recorded, in addition to the number of overtime hours worked each day during the pay period.

Purchase Requisition

A departmental manager, or other authorized person, initiates the purchase requisition (request for purchase) which requests the purchasing agent or department to buy specified goods. Two to five copies of the purchase requisition should be prepared, depending upon the system's informational needs. For example, one copy each should be prepared for the accounting and the budgeting divisions, so that encumbrances can be made against fund or budget accounts. Based on the purchase requisition, a purchase order will be prepared.

Purchase Order

The use of purchase orders is important in maintaining budgetary control over a school district's food expenditures and in maintaining visibility for future financial requirements. Purchase orders record items or services being requested, their cost, the name of the vendor being used, and the date of delivery or performance. In addition, the purchase order may indicate the reason for the order and the appropriate expense account. The order should be signed by the person initiating it.

A duplicate copy of the form or a stub at the bottom of the purchase order form (the receiving stub) may be used by the purchaser to record either partial or final receipt of goods or services which had been ordered. The receiving stub is transmitted to the accounting department to verify the receipt of goods or services before paying the vendor.

Vendor Invoice

This source document, the vendor invoice, is received by school accounting or food service operation directors from outside vendors and is used to document the delivery and cost of outside goods and services. Vendor invoices record many of the cafeteria expenses and serve as the mechanism for authorizing payment of those liabilities.

No illustration of this source document is given since its form will vary among different vendors. However, the procedures for processing, marking, and storing vendor invoices are standardized, regardless of the invoice's appearance. These procedures are explained in detail in a later chapter of this manual. Normally, the vendor invoice includes the date the invoice was received, verification of actual receipt or performance of referenced goods or services, expense accounts charged or paid, and the check number used for payment.

Purchase Listing

The purchase listing is a recapitulation of goods and services received by each school food service location. All items ordered and received to be authorized for payment are shown on the purchase listing. When used, it is usually prepared by the cafeteria manager or the employee in charge of receiving goods at a storage location. The purchase listing verifies the receipt of goods so that payment may be made. It also may be used to collect information concerning goods purchased individually by schools rather than by a central purchasing function.

Payment Voucher

Payment vouchers are internally prepared source documents which are used for authorizing payments in cases where vendor invoices (or other appropriate source documents, such as time and attendance sheets or petty cash slips) are not available. Primarily, they are used when invoices are not received from vendors or creditors, although they may be required for all disbursements at the discretion of management. The information in the payment voucher is similar to that on vendor invoices; the payment voucher also contains a description of the item delivered or service performed.

Petty Cash Slip

Petty cash slips are used to record all payments from the petty cash fund for infrequent small expenditures made by employees on behalf of the school food service fund. A petty cash slip is prepared and submitted when a disbursement is made. Petty cash disbursements may be made as reimbursements for documented expenditures or as advances, in which case the amount disbursed is subject to later adjustment.

The petty cash slips, which are accumulated and summarized on a petty cash voucher by the petty cash custodian over a period of time, also serve as the basis for replenishing the petty cash fund.

Journal Vouchers

Journal vouchers support certain low-volume transactions which are not handled through normal accounting procedures. Adjusting entries, such as month-end accruals and corrections of prior entries, do not lend themselves to documentation using standardized forms. In these cases, the journal voucher is used to record and classify the transaction and to accumulate any relevant supporting information. An explanation of the transaction can be written directly on the journal voucher; or other documents, such as worksheets, can be attached to the journal voucher.

Each journal entry must be a complete, self-balanced entry within an accounting entity. Journal entries are identified by unique locations using appropriate account numbers. The journal entries are posted directly to the general ledger from the approved journal vouchers. After posting, the journal vouchers are inserted sequentially by number into a binder which serves as a general journal file.

Cash Receipts Slip

The cash receipts slip records all cafeteria cash receipts. Each cash receipt slip indicates the purpose of the receipt, the source of the receipt, and the form of the receipt (i.e., check, cash, or money order). Daily cash receipts are summarized on the cash receipts summary form, or other food service report form, which serves as the basis for making entries into the cash receipts journal and for preparing bank deposit slips for the treasurer's account.

Food Service Report

The food service report is used by employees in the food service line (usually cashiers) to account for the number and type of meals served. These figures are posted daily and totaled at the end of each accounting period (usually at the end of a calendar month) to prepare a participation report. Figures are accumulated on the number of pupil and adult meals served and on the number of full price, free, and reduced price meals (breakfasts and type A lunches), special milk servings (in terms of half-pints), and a la carte meals.

Cash Receipts and Daily Participation Report

This report is a consolidation of individual school worksheets at the district level to report reimbursement statistics to the State or Federal Governments.

Food Service Books of Account

The books of account for the school food service fund can be grouped into two categories:

- books of original entry - the journals which are used to record individual transactions as they occur; and
- books of final entry - the ledgers which are used to summarize the transactions recorded in the journals.

Disbursements Journal

The disbursements journal records all disbursements made from the operating bank account. For payment of outside purchased goods and services, the normal entry in the fund's books is a debit to accounts payable (reducing the liability) and a credit to cash (reducing the balance in the operating bank account).

The disbursement journal also is used to record all other disbursements from the operating bank account, including those transactions not previously credited to accounts payable in the purchases journal. Examples of these types of transactions include payment of travel advances, travel expenses, petty cash reimbursement, etc.

Payroll Journal

The payroll journal records all disbursements made from the payroll bank account, including the following:

- net pay to each employee;
- payroll deductions for each employee;
- accrual and subsequent payment of employer payroll taxes and contributions to fringe benefits;
- appropriate expense distributions; and
- interfund liabilities.

Receipts Journal

The receipts journal records food service receipts which are deposited in the bank account. The typical entry in the receipts journal debits cash (to increase the balance in the treasurer's bank account) and credits an appropriate revenue account(s).

Revenue Ledger

The revenue ledger accumulates revenue accounts, subdivided by programs (i.e., type of meal served). The sum of revenue by programs must be reconciled monthly to revenue shown in the general ledger.

Payroll Ledger

The payroll ledger accumulates all salaries and employee benefit accounts, subdivided by program (i.e., type of meal served). The sum of costs by program and the individual employee records must be reconciled to total payroll amounts.

Food Service Financial Reports

Three basic reports are important for evaluation and control of food service operations: (1) the income and expense (operating) statement; (2) the balance sheet (position) statement; and (3) the statement of changes in financial position. They are produced by the district for each school food service location, and consolidated statements are produced for and by the district. Each is prepared after a trial balance is determined and adjusting closing entries have been made by means of a worksheet. (These procedures are described in Chapter IV.)

Income and Expense (Operating) Statement

This statement shows an individual cafeteria's income revenues and expenses for a particular period. Year-to-date figures should accompany all monthly entries, especially when automatic data processing services are available. The format for the income and expense statement should include sections for revenue, cost of food used, operating expenses (including fringe benefits), and other overhead expenses. Percentages of these major costs in relation to revenue should also appear on this report.

Balance Sheet (Position Statement)

The balance sheet should be detailed for each school location and consolidated at the district level. Both current and fixed assets, as well as current and other liabilities, should appear along with the fund balance.

Statement of Changes in Financial Position

The statement of changes in financial position shows the sources and uses of a school food service fund's financial resources. Basically, the report is an analysis of both the balance sheet and the income and expense statement. The report may be viewed as a reconciliation between accrual accounting and cash accounting. Such a reconciliation is useful because the school food service fund may show no profit or loss, although cash balances may have increased or decreased significantly. This report will help to identify the reasons for such changes. To disclose all changes in financial position properly, the report also should reflect such non-cash transactions, e.g., the acquisition of equipment in exchange for other property.

OTHER ACCOUNTING TECHNIQUES

There are several other techniques of accounting used in school food service operations, the most important being cost accounting and encumbrance accounting. Both types are discussed in greater detail in later chapters.

Cost Accounting

Cost accounting is the assembling of all costs incurred in accomplishing a particular purpose or in carrying on a particular operation. Cost accounting implies that all costs incurred by, or on behalf of, the operation are recorded and reported, so that complete cost comparisons can be made. The purpose of cost accounting is to allow management to make decisions on the operations of each location or program; each major element of cost is identified separately, so that reports contain the information most useful in decision-making.

In the school food service fund accounting system, expenses are recorded in quite a number of general ledger accounts and also are recorded for each cafeteria location. Costs which cannot be attributed directly to specific locations will be allocated so that each location is charged with a reasonable proportion of that cost. In this way, the operation of each location may be analyzed. In addition, all costs will be assigned to programs (i.e., types of meals) so that the operations of each program may be assessed independently.

Encumbrance Accounting (Optional)

General

A unique feature of accounting systems for all types of governmental agencies is the method by which strict control is maintained over the availability of funds for expenditures. To serve this purpose, a series of budgetary accounts is maintained in most governmental accounting systems. The use of these budgetary accounts is termed encumbrance (or obligation) accounting. Under the school food service fund accounting system, this type of accounting usually will be performed at the school district level.

Definitions

There are two specialized terms used in encumbrance accounting; they are defined as follows:

- appropriation - an amount of money which is authorized for expenditure by a fund for a particular purpose during a particular period of time. There are usually strong administrative or legal sanctions taken if the expenditure of funds exceeds the amount authorized for that period.

- encumbrance (obligation) - a reservation of appropriated funds which are designated to be spent for a specific purpose. The following are examples of encumbrances:

- a binding contract for the purchase of goods or services;
- orders placed with a vendor; and
- a payroll.

Budgetary Accounts (Optional)

There may be a minimum of three budgetary accounts in the general ledger of any accounting system which contains encumbrance accounting.

Appropriations. This account represents the amount of appropriations available for encumbering. For the school food service fund, the appropriations will be based on the estimated amount of expenditures for the year. This account should never have a negative balance; any action that would cause it to become negative would result in strong administrative or legal action. To prevent such situations, the accountant frequently is required to certify that a proposed transaction which reduces the balance in the encumbrance account will not cause a negative balance in that account.

Encumbrances. This account represents the amount of funds encumbered to date.

Appropriations Received. This account represents the appropriation received for the accounting period. It must always be equal to the sum of the other two accounts. The appropriations received account is normally a debit balance account, while the other two are credit balance accounts.

* * *

ELEMENTS OF THE ACCOUNTING CYCLE SUMMARIZED

In this chapter, journalizing, posting, and financial statement concepts were discussed. These subjects are all major elements of the cycle of accounting activities. Put into the proper sequence, these and the remaining stages of the cycle are as follows:

1. Source Documents. Transaction data are recorded on source documents by operations personnel. These forms range from payroll attendance sheets to reimbursement claim forms. These are all fully described in the succeeding chapters.

2. Journalizing. Journalizing involves entering transactions into one of the journals, as described in this chapter.

3. Posting. Posting involves entering journalized transactions into the general ledger, as described in this chapter.

4. Trial Balance. A trial balance is prepared to test bookkeeping accuracy and to aid the preparation of financial statements.

5. Work Sheet. A work sheet may be prepared at the end of a particular accounting period as a document to assist the accountant in preparing the financial statements. Various work sheets will be discussed in later chapters.

6. Adjusting Entries. Entries are made to correct previous accounting errors and affect accrual amounts, bad debts, or depreciation. These entries are journalized and posted in the same manner as transactions.

7. Closing Entries. The closing entries bring the balances of the revenue and expense accounts to zero to allow the accumulation of similar information in the next period. The net result is entered into the fund balance account. (This step is usually accomplished at the end of each year.)

8. Financial Statement. After all accounts are adjusted and up to date, the financial statements (e.g., balance sheet and income statement) are prepared.

CHAPTER II

FOOD SERVICE ACCOUNTING FOR SMALL SCHOOL SYSTEMS

INTRODUCTION

The accounting system, as described in the preceding chapter, is designed for multi-unit school districts with centralized administrative staffs. However, a great number of school districts have relatively small food service operations. That is, all operational and administrative activities occur at one or a small number of locations. Therefore, certain modifications to the multi-unit accounting system are necessary to accommodate small districts.

In many instances, the same procedures, forms, and reports which are used for the larger multi-unit school district are recommended for the small school district. Where they remain the same, they are discussed in general terms and cross-referenced to appropriate chapters. Procedures designed specifically for small districts (e.g., chart of accounts, including account definitions, recommended source documents, reports, books of account, and financial reports) are presented in detail.

STRUCTURE OF FOOD SERVICE ACCOUNTS

To operate the system described in the preceding chapter, a simple, consistent scheme of classifying transactions is necessary to provide sufficient information for management purposes. Therefore, the food service fund assets and liabilities will be classified only by general ledger account. The revenues and expenses of the fund will also be classified by general ledger account and, in addition, by program account. The general ledger accounts identify the assets, liabilities, revenue, and expenses by type. The program accounts further identify revenues and expenses by the type of meal served.

General Ledger Accounts

The general ledger accounts to be used in the small school district are shown in Figure II.1. They provide the basic financial classifications for each accounting event or transaction. In double entry bookkeeping, each transaction must affect two or more accounts, and the debit amounts must equal the credit amounts. Each general ledger account is subdivided into a "D" subaccount (e.g., 1000D) and a "C" subaccount (e.g., 1000C) to identify debits and credits. All normal activity in the general ledger accounts is expressed in terms of <u>increasing</u> either the "D" or "C" account.

FIGURE II.1

GENERAL LEDGER ACCOUNTS FOR THE SMALL SCHOOL DISTRICT

1000 - 2900 BALANCE SHEET ACCOUNTS

1000 - 1300 Assets Other Than Fixed

1000 - Cash on Hand
1010 - Petty Cash
1020 - Cash, Checking Account
1030 - Cash, Payroll Checking Account
1040 - Cash, Savings Account
1050 - Cash, Sinking Fund Account
1110 - Accounts Receivable, Due From _____ Fund
1130 - Accounts Receivable, Due From _____ Government
1150 - Accounts Receivable
1210 - Inventories, Food
1220 - Inventories, Supplies
1300 - Prepaid Expenses

1400 - 1500 Fixed Assets

1400 - Equipment
1500 - Vehicles
1590 - Accumulated Depreciation

1600 - 1900 Other Assets

1600 - Ticket Value Account

2000 - 2600 Liabilities

2000 - Accounts Payable
2100 - Loans Payable
2200 - Accrued Liabilities
2300 - Accounts Payable, Due to _____ Funds
2400 - Accounts Payable, Due to Federal Government
2500 - Accounts Payable, Due to State Government
2600 - Deferred Income
2650 - Employee Salaries and Benefits Payable

2700 - 2900 Fund Balance

2700 - Fund Balance
2800 - Fund Balance, Reserve For Fixed Assets

FIGURE II.1 (CONT.)

GENERAL LEDGER ACCOUNTS FOR THE SMALL SCHOOL DISTRICT

3000 - 4900 REVENUE AND EXPENSE (OR OBJECT) ACCOUNTS

3000 - 3900 Revenue Accounts

3100 - Sales to Pupils
3200 - Sales to Adults
3300 - Price Reduction for Reduced Price and Free Lunches
3350 - Price Reduction for Reduced Price and Free Breakfasts
3400 - Miscellaneous Revenue from Other Sources (Special Functions)
3500 - Revenues From State Sources, Cash Reimbursements
3520 - Revenue From State Sources, Other Cash Payments
3530 - Revenue From State Sources, Donated Goods and Commodities
3700 - Revenue from Federal Sources, Federal Reimbursement
3750 - Donated Commodities, Federal Sources
3800 - Local Revenue, Transfers
3850 - Local Revenue, Miscellaneous

4000 - 4900 Expense or Cost Accounts

4000 - Salaries, Regular Time
4100 - Salaries, Overtime
4200 - Employee Benefits
4300 - Purchased Services
4400 - Donated Services
4500 - Supplies
4600 - Food
4650 - Donated Food
4700 - Equipment Depreciation (Federal Assistance)
4800 - Equipment Depreciation (Non-federal Assistance)
4850 - Other Donations
4900 - Other Expenses

5000 - 5900 BUDGETARY ACCOUNTS

5000 - 5500 Appropriations

5000 - Appropriations Received

5600 - 5900 Encumbrances

5600 - Encumbrances (Obligations)

Each general ledger account is defined in the following paragraphs. The numbering system used is for illustrative purposes only. School districts already having food service general ledger account numbering systems may continue using them; however, the use of the system shown in this handbook is encouraged if none is currently in use.

DEFINITIONS OF GENERAL LEDGER ACCOUNTS

1000 - 1300 ASSETS OTHER THAN FIXED

Increase 0000D when assets are received.
Increase 0000C when assets are reduced.

1000 Cash on Hand - The balance as of date of cash received but not deposited in the bank.

1010 Petty Cash - The balance as of date of the authorized petty cash balance less receipts for expenditures made.

1020 Cash, Checking Account - The current balance in the fund's checking account(s), plus deposits in transit.

1030 Cash, Payroll Checking Account - This special bank account is for checks drawn in payment of payroll and is increased by monies drawn from account 1020.

1040 Cash, Savings Account - This account is for all monies deposited with the bank for the purpose of earning interest.

1050 Cash, Sinking Fund Account - The current balance of cash on hand or on deposit with any agent which is designated for the future purchase of specific fixed assets.

1110 Due From _____ Fund - The amount owed the food service fund by another fund within the school system. Separate accounts for amounts due from each fund are recommended.

1130 Due From _____ Government - The amount owed the food service fund by other governmental units. These amounts may represent grants, charges for service rendered, etc. Separate accounts for amounts due from each governmental unit are recommended.

1150 Accounts Receivable - Amounts owed to the food service fund from individuals, and organizations, other than other funds and governmental units.

1210 Inventories, Food - The cost of food on hand (whether or not it has been paid for), including the normal market cost of donated food or food purchased at a reduced price.

1220 Inventories, Supplies - The cost of supplies on hand (whether or not they have been paid for). Supplies are primarily cleaning materials, such as soap, sponges, mop heads, etc. Items such as trays, silverware, and food preparation utensils are set up as a one-time inventory and their replacement value is considered an expense.

1300 Prepaid Expenses - Amounts paid in advance for such items as insurance premiums.

1400 - 1500 FIXED ASSETS

Increase 0000D when assets are received.
Increase 0000C when assets are reduced, (except for account 1590).

1400 Equipment - The cost of all equipment (except motor vehicles) minus amounts representing the use or loss of value of the equipment (accumulated depreciation). Items of small initial cost are to be treated as supplies and not as equipment.

1500 Vehicles - The cost of all motor vehicles minus accumulated depreciation.

1590 Accumulated Depreciation - A credit balance account in which a portion of the value of fixed assets is accumulated to represent the use, or loss of value, of the assets. Increase 1590D for reversing or adjusting amount of accumulated depreciation charged to a specific piece of equipment when the equipment is sold or otherwise disposed of. Increase 1590C to represent the loss of value due to the depreciation of an asset or group of assets, which is the amount of accumulated depreciation.

1600 - 1900 OTHER ASSETS

1600 Ticket Value Account - The full sales value of tickets on hand in the school office. The account is always offset by the deferred income account. (Refer to account 2600 Deferred Income.)

2000 - 2600 LIABILITIES

Increase 0000D when liabilities are paid.
Increase 0000C when liabilities are incurred.

2000 Accounts Payable - Balances due (other than salaries and taxes) to individuals and organizations (other than other funds and governmental units) for goods and services received but not yet paid for.

2100 Loans Payable - Balance of outstanding loans due to others.

2200 Accrued Liabilities - Amounts due to others for which the liability is incurred over time, rather than at a specific point in time. Accrued liabilities include salaries payable, employee benefits payable, annual and sick leave liability, taxes payable, and interest payable.

2300 Due to _____ Fund - The amount owed by the food service fund to another specific fund within the school system. Separate accounts for amounts due to each fund are recommended.

2400 Due to Federal Government - The amount owed by the food service fund to a Federal governmental agency. Separate accounts for amounts due to each governmental unit are recommended.

2500 Due to State Government - The amount owed by the food service fund to a state governmental agency. Separate accounts for amounts due to each governmental unit are recommended.

2600 Deferred Income - The full sales value of tickets, either on hand or already sold, for which no meals have been served. (It is offset by the Ticket Value Account, account 1600.)

2650 Employee Salaries and Benefits Payable - The amounts due for wages and salaries earned but not yet paid. Also balances due to other governmental units and business

organizations for amounts collected from employees or contributed by the employer (food service fund) for employee benefits, such as hospitalization and life insurance, FICA taxes, withholding taxes, etc.

2700 - 2900 FUND BALANCE

Increase 0000D when closing the expense accounts at the end of an accounting period.
Increase 0000C when closing the revenue accounts at the end of an accounting period.

2700 Fund Balance - The difference between total assets and total liabilities minus the reserve for fixed assets.

2800 Reserve for Fixed Assets - This account represents that portion of the fund balance reserved for the future procurement of fixed assets. It will have the same balance as the Sinking Fund Account, account 1050.

3000 - 3900 REVENUE ACCOUNTS

Increase 0000D when closing the revenue accounts to fund balance at the end of an accounting period.
Increase 0000C when revenue is earned, regardless of when payment is received.

3100 Sales to Pupils - The value of meals served to pupils during the accounting period.

3200 Sales to Adults - The value of meals served to adults during the accounting period.

3300 Price Reduction for Reduced Price and Free Lunches - A debit balance account representing the value of reductions in price of reduced price and free lunches served during the accounting period.

3350 Price Reduction for Reduced Price and Free Breakfasts - A debit balance account representing the value of reductions in price of reduced price and free breakfasts served during the accounting period.

3400 Miscellaneous Revenue from Other Sources (Special Functions) - The value of all revenue, except that from state and federal sources.

Revenue from State Sources

3500 State Cash Reimbursements - The amount of state funds earned during the accounting period which can be included as part of the state matching of federal funds requirement and also may be included in meeting the state revenue matching requirement.

3520 Other State Cash Payments - Cash funds received from the state (for labor, equipment, etc.). It excludes funds for building, alteration of buildings, and acquisition or rental of land or buildings.

3530 Value of Donated Goods and Commodities Received From State Sources - The value of goods and commodities donated to the food service fund during the accounting period. This account should be included as part of state matching and funds used requirements.

Revenue from Federal Sources

3700 Federal Reimbursement - The amount of federal reimbursement earned during the accounting period.

3750 Value of Donated Commodities Received from Federal Sources - The market value of all commodities donated to the food service fund during the period.

Revenue from Local Sources

3800 Transfers from Other Funds - The amounts which other funds are required to transfer to the food service fund during the accounting period; this includes only those funds from local sources which can be allowed for food service program purposes. There should be a separate account for each fund. This account should not include amounts that are prepayable.

3850 Miscellaneous Revenue from Local Sources - This account includes the value of donated goods and services from local sources.

4000 - 4900 EXPENSE OR COST ACCOUNTS

Increase 0000D when an expense is incurred.
Increase 0000C when an expense account is closed to fund balance at the end of an accounting period.

4000 Salaries, Regular Time - The amount earned by employees for regular hours worked during the accounting period.

4100 Salaries, Overtime - The amount earned by employees for work beyond regular hours for which an overtime premium is paid.

4200 Employee Benefits - The employer's share of all employees' benefits and payroll taxes, including FICA taxes, unemployment taxes, workman's compensation insurance, life insurance, hospitalization insurance, retirement contributions, holiday pay, annual leave, and sick leave.

4300 Purchased Services - The cost of all services purchased from outside vendors or from other funds, including laundry, trash removal, extermination, accounting, computer time, transportation (except food delivery), travel and training, utilities, repairs and maintenance, professional and technical services, rentals, and printing and binding.

4400 Donated Services - The value of services donated to the food service fund during the accounting period.

4500 Supplies - The cost of all supplies purchased during the period. At the end of the period, this account is added to the beginning inventory. The ending inventory is subtracted from this sum to determine the cost of supplies used.

4600 Food - The cost of all food purchased during the period, including processing, storage, handling, and transportation costs for food and contracted prepared meals. At the end of the period, the beginning food inventory is added to this account. The ending food inventory is subtracted from this sum to determine the cost of food used.

4650 Donated Food - The market value of USDA-donated commodities used during the accounting period.

4700 Equipment Depreciation (Federal Assistance) - Amounts charged during the period to represent the use, or value lost, of equipment and vehicles which were supplied by the Federal Government.

4800 Equipment Depreciation (Non-federal Assistance) - Amounts charged during the period to represent the use, or value lost, of equipment and vehicles which were supplied by sources other than the Federal Government.

4850 Other Donations - The market value of donated commodities, other than USDA-donated commodities, and other donations given to the school food service fund.

4900 Other Expenses - The cost of all other items during the accounting period.

5000 - 5500 APPROPRIATIONS

Increase 5000D when encumbrances are incurred or when closing the account at the end of the year.
Increase 5000C when appropriations are received.

5000 Appropriations Received - The total amount made available for expenditure during the year.

5600 - 5900 ENCUMBRANCES

Increase 5600D when closing the account at the end of the year.
Increase 5600C when encumbrances are incurred.

5600 Encumbrances - The total amount expended, or reserved for expenditure, during the year.

PROGRAM ACCOUNTS

Program accounts, shown in Figure II.2, are used to subdivide the revenue and expense accounts. The primary program categories identify the type of meal served, thus assisting in determining federal and state reimbursements.

Each time a transaction affects a revenue account, a program account must also be used. The subsidiary revenue ledger will accumulate each revenue account separately and will accumulate revenues, generated by each program, within each revenue account. If used, the special functions program account should be subdivided to identify all special functions separately. Since some revenues are not assignable to any particular meal type, a special miscellaneous revenue program account has been included for use only when it is impossible to assign revenues to other accounts.

The program accounts are used to subdivide the expense accounts through an allocation process discussed in Chapter III. A definition of each program account follows in the succeeding paragraphs.

FIGURE II.2

PROGRAM ACCOUNTS

1	Breakfast
2	Type A Lunch
3	Special Milk Program
4	A la Carte
5	Special Functions
6	Miscellaneous

DEFINITIONS OF PROGRAM ACCOUNTS

1 Breakfast - The breakfast program is used to account for all sales, price reductions, and reimbursements assignable to breakfasts as defined in Section 220.8 of the National School Breakfast Program Regulations.

2 Type A Lunch - The Type A lunch program is used to account for all sales, price reductions, and reimbursements assignable to Type A lunches as defined in section 210.10 of the National School Lunch Program Regulations.

3 Special Milk Program - The special milk program account is used to accumulate all sales, price reductions, and reimbursements assignable to the National Special Milk Program.

4 A la Carte - The a la carte program is used to account for all regular sales, price reductions, and cash payments not included in program accounts 1, 2, or 3.

5 Special Functions - The special function program is used to account for all sales, price reductions, and cash payments which result from special functions. Separate subaccounts should be used to account for different functions.

6 Miscellaneous - The miscellaneous revenue program account is used to accumulate all revenue that cannot be assigned to any of the other program accounts. An example of such revenue would be a lump sum payment from local sources made without regard to meals served.

INVENTORY MANAGEMENT

Among the current assets, inventories are frequently the most difficult to account for. An inventory is the supply of particular types of goods or materials at a given time.

While many different food and supply items are stored and should be identified by item for reordering purposes, it is convenient to group those items into broad categories by type for accounting and reporting purposes. Therefore, the handbook contains the following inventory groupings:

- food;
- lunchroom supplies;
- custodial supplies; and
- office supplies.

In reporting the financial position of a school food service fund, two considerations are important in establishing a "value" for the inventories. The first consideration is essentially a question of determining what is physically in the inventory; the second is determining the worth of each item in the inventory. The two different methods for resolving the first consideration are perpetual inventory and periodic inventory.

Perpetual Inventory

A detailed record of each type of goods or materials is maintained. Additions and withdrawals from the inventory are recorded so that the current level of inventory can be determined immediately, and the material usage during an accounting period also can be determined readily. This system must be controlled to ensure that each withdrawal is recorded. Also, the accuracy of the inventory records should be verified regularly by actually counting the inventory (i.e., by taking a physical inventory).

When a physical inventory shows that the actual level of inventory differs from that shown on the inventory records, adjusting entries are required. These entries are handled in one of two ways:

- The difference is recorded to increase or decrease the cost accounts directly, as if they represented normal withdrawals from or additions to inventory.
- The difference is recorded as an increase or a decrease to a special inventory variance cost account. This method is used only when several locations (each responsible for its own costs) used the same inventory and when locations are not to be charged with costs resulting from inventory waste and spoilage.

Periodic Inventory

The level of inventory is determined by a physical count at the end of each accounting period when using this method. Each addition to an inventory is recorded in a "purchases" account, but each withdrawal is not recorded. The amount of material used during the accounting period is calculated by subtracting the amount on hand at the end of the period from the amount available during the period (i.e., the beginning inventory plus total purchases). This type of periodic inventory is best suited for smaller facilities with fast-moving inventories.

Inventory Valuation

The second problem in valuing inventory is determining the worth of each individual item in the inventory. For most items, the actual cost (based upon the most recent purchase) is used. However, this basis cannot be used for donated commodities. In this case, the estimated cost or market value (whichever is lower) of the commodities is used.

Inventories should only be maintained when items of significant value are stored until needed. For example, in many school food service funds, a small amount of office supplies might be maintained in a supply cabinet; it is not necessary to treat the supply cabinet as an inventory if the value of the supplies is minimal. However, the supply cabinet may be kept locked for security reasons when necessary.

TICKET VALUATION PROCEDURES

Techniques for controlling prepaid meal transactions are available to school food service management personnel. They are the use of prenumbered meal tickets and the establishment of a ticket value control account. The following example describes general ledger accounting entries utilizing a ticket value control account.

Assume that tickets valued at $5,000 are on hand in the school office. These tickets will be sold to pupils and adults for meals.

The following account entries are made in the general ledger to establish the ticket value account:

DR	ticket value account (account 1600D)	$5,000
CR	deferred income (account 2600C)	$5,000

The school office secretary sells $500 worth of tickets on the first day of the month. Cash received for these tickets is $375,

because there was a total price reduction of $125 for free and reduced price tickets sold. Therefore, the following entries are made:

DR	cash (account 1000D)	$375	
DR	price reduction (account 3300D)	$125	
CR	ticket value account (account 1600C)		$500

On the same day, tickets for meals are collected in the cafeteria service line by the cashier. The total value of these tickets is $450 (not all of the tickets sold were collected). The entry to be made is as follows:

DR	deferred income (account 2600D)	$450	
CR	sales to pupils (account 3100C)		$450

If it is a school district's policy to refund unused tickets, the entry shown below is made as refunds are given. If the total valuation of tickets refunded were $25 and $20 cash was actually refunded, then the following entry is made:

DR	ticket value account (account 1600D)	$25	
CR	cash-checking account (account 1020C)		$20
CR	price reduction (account 3300C)		$ 5

If tickets are lost, the following entry is made:

DR	deferred income account (account 2600D)	$15	
CR	ticket value account (account 1600C)		$15

Many school food service funds have both cash and ticket sales; in such cases, both of the above systems (as illustrated in Appendices A, C, and D) are used.

TICKET VALUATION ACCOUNT—END-OF-YEAR ACCOUNTING

At the end of the school year, unsold tickets should be accounted for in the ticket valuation account. It is recommended that an accounting of unsold tickets be made at more frequent intervals, possibly monthly or quarterly, under conditions that are comparable to those in the following example.

At the end of the school year, there were 1,000 unsold tickets on hand, valued at $.50 each. However, the accounting entries for the year show an ending balance in the ticket value account, #1600, of $600.00. The following computation and entry would be required.

Computation of Tickets Physically on Hand:		
1,000 @ $ .50	=	$500.00
Book value of account 1600	=	600.00
Shortage of tickets on hand	=	$100.00

A journal voucher would have to be prepared for approval showing the following entry.

	Account No.	Debit	Credit
Deferred Income	2600D	$100.00	
Ticket Value Account	1600C		$100.00

After being approved, the journal voucher should be journalized and then posted to the general ledger.

At this time the ticket value account and the deferred income account should theoretically have equal account balances; however, their balances will likely differ because: (1) some students will either lose or not use some tickets, and the deferred income will not have received the entry for the food sale; (2) there may be some errors in accounting entries; and (3) the adjustment to the ticket value account, as shown above, is affecting the deferred income account. Therefore, the deferred income account will also require a journal voucher adjustment.

The procedure for adjusting the deferred income account should be under conditions comparable to those in the following example.

At the end of the school year, after notice has been given to all students to claim refunds (if a refund policy is practiced), the ticket valuation account is adjusted to $500.00, and the deferred income account now has a book balance of $750.00. The deferred income account should now be adjusted to the ticket valuation account balance and would be computed as follows.

Deferred income book balance	$750
Ticket value account balance	500
Adjustment required	$250

A journal voucher would have to be prepared for approval showing the following entry.

	Account No.	Debit	Credit
Deferred Income	2600D	$250.00	
Miscellaneous Revenue	3400C		$250.00

If there is only $250 in the deferred income account because of earlier ticket counting errors, this difference between $500 of ticket valuation on hand, must be absorbed as an expense. The entry would be as follows:

	Account No.	Debit	Credit
Miscellaneous Revenue	3400D	$250.00	
Deferred Income	2600C		$250.00

PAYROLL ACCOUNTING

Payroll accounting follows a general pattern of events that is only changed by local and state tax laws and payroll procedures of the organizational entity. Based on this premise, the following sequence of events is being used to explain payroll accounting. (Personnel record keeping is not included except where an overlap may be involved.)

- timekeeping;
- gross pay computation;
- payroll deduction computation;
- net pay computation;
- payroll journal entries;
- general and payroll ledger posting; and
- employee payroll record completion.

Timekeeping

The time and attendance record in Appendix H is recommended for compiling each employee's time worked where a two-week payroll base period is used. If the school uses other than a two-week period, this form should be modified accordingly. The specifications given in Appendix H apply for completing the time and attendance report regardless of the pay period used.

Gross Pay Computation

At the end of each time reporting period, gross pay computation must be made for each employee. The pay computation will fall into two major categories: (1) salaried employees who receive the same gross pay each period based on their annual salary rate, and (2) hourly employees who are paid based on the number of hours worked. According to local school policy, overtime may be paid for work performed over a specified number of hours. Following the example in Appendix H, the computation for Barbara James' gross pay might be as follows:

	Hours	Rate	Amount
Regular	80	$2.00	$160.00
Overtime	10	3.00	30.00
			$190.00

The rate of $3.00 for overtime is 1 1/2 times the regular rate.

Payroll Deduction Computation

Federal Income Tax Withholding

With few exceptions, employers of one or more persons are required to calculate, collect, and remit to the Federal Government the income taxes of their employees. The amount of federal income tax to be withheld from an employee's wages is determined by his wages and number of exemptions. Each covered employee is required to furnish his employer with an employee's withholding exemption certificate (Form W-4, furnished by the local office of the Internal Revenue Service (IRS)).

Most employers use a wage bracket withholding table in determining federal income taxes to be withheld from an employee's gross earnings. These tables, which are prepared for weekly, biweekly, semimonthly, and monthly pay periods, are also available from the IRS.

Determining the federal income tax to be withheld from an employee's gross wages is simple when utilizing a withholding table. For example, the employee's wage bracket is found in the first two columns. Then the amount to be withheld is found on the line of the wage bracket in the column showing the number of exemptions to which the employee is entitled as claimed by him on his Form W-4.

Federal Insurance Contributions Act (FICA)

Under the Federal Insurance Contributions Act, employers are required to deduct a specified percentage of the employee's gross pay up to a certain limit. Because the law is constantly changing, specific amounts cannot be included in this handbook. However, the tax

rate for calendar year 1972 is 5.85% on $10,800 and is imposed on the employer as well as the employee. That is, for each deduction made from the employee, the employer is required to match that amount.

In some cities and states, employers must also deduct employee city and state income taxes. When this is necessary, the city and state taxes are handled in much the same manner as the federal income taxes.

In addition to the payroll deductions for taxes, employees may individually authorize deductions for:

- U.S. savings bonds;
- health, life, or other insurance;
- loan repayments; and
- donations to charitable organizations.

Net Pay Computation

Using the previous example of Barbara James' earnings of $190.00 for a two-week period, the following will illustrate the computations used in determining the net pay:

Type of Withholding	Comments	Amount
Federal Income Tax	Assume two exemptions and use the tax deduction table discussed previously (see Figure II.3).	$ 18.10
FICA	5.5% of $190.00. The deduction for FICA will stop when withholding has been made on $10,800.00.	10.45
Local Taxes	Assume 1% of gross earnings.	1.90
Other	This deduction may be for U.S. bonds, savings, etc.	3.75
	Total deductions	$ 34.20
	Net Pay ($190.00 - $34.20)	$155.80

FIGURE II.3

TAX DEDUCTION TABLE

BIWEEKLY Payroll Period — Employee NOT MARRIED — Effective January 16, 1972

And the wages are-		And the number of withholding exemptions claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
$0	$22	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
22	24	.30	0	0	0	0	0	0	0	0	0	0
24	26	.50	0	0	0	0	0	0	0	0	0	0
26	28	.80	0	0	0	0	0	0	0	0	0	0
28	30	1.10	0	0	0	0	0	0	0	0	0	0
30	32	1.40	0	0	0	0	0	0	0	0	0	0
32	34	1.70	0	0	0	0	0	0	0	0	0	0
34	36	1.90	0	0	0	0	0	0	0	0	0	0
36	38	2.20	0	0	0	0	0	0	0	0	0	0
38	40	2.50	0	0	0	0	0	0	0	0	0	0
40	42	2.80	0	0	0	0	0	0	0	0	0	0
42	44	3.10	0	0	0	0	0	0	0	0	0	0
44	46	3.30	0	0	0	0	0	0	0	0	0	0
46	48	3.60	0	0	0	0	0	0	0	0	0	0
48	50	3.90	0	0	0	0	0	0	0	0	0	0
50	52	4.20	.10	0	0	0	0	0	0	0	0	0
52	54	4.50	.40	0	0	0	0	0	0	0	0	0
54	56	4.70	.70	0	0	0	0	0	0	0	0	0
56	58	5.00	1.00	0	0	0	0	0	0	0	0	0
58	60	5.30	1.30	0	0	0	0	0	0	0	0	0
60	62	5.60	1.50	0	0	0	0	0	0	0	0	0
62	64	5.90	1.80	0	0	0	0	0	0	0	0	0
64	66	6.10	2.10	0	0	0	0	0	0	0	0	0
66	68	6.40	2.40	0	0	0	0	0	0	0	0	0
68	70	6.70	2.70	0	0	0	0	0	0	0	0	0
70	72	7.00	2.90	0	0	0	0	0	0	0	0	0
72	74	7.40	3.20	0	0	0	0	0	0	0	0	0
74	76	7.80	3.50	0	0	0	0	0	0	0	0	0
76	78	8.10	3.80	0	0	0	0	0	0	0	0	0
78	80	8.50	4.10	0	0	0	0	0	0	0	0	0
80	82	8.80	4.30	.30	0	0	0	0	0	0	0	0
82	84	9.20	4.60	.60	0	0	0	0	0	0	0	0
84	86	9.60	4.90	.90	0	0	0	0	0	0	0	0
86	88	9.90	5.20	1.10	0	0	0	0	0	0	0	0
88	90	10.30	5.50	1.40	0	0	0	0	0	0	0	0
At least	But less than	0	1	2	3	4	5	6	7	8	9	10 or more
90	92	10.60	5.70	1.70	0	0	0	0	0	0	0	0
92	94	11.00	6.00	2.00	0	0	0	0	0	0	0	0
94	96	11.40	6.30	2.30	0	0	0	0	0	0	0	0
96	98	11.70	6.60	2.50	0	0	0	0	0	0	0	0
98	100	12.10	6.90	2.80	0	0	0	0	0	0	0	0
100	102	12.40	7.30	3.10	0	0	0	0	0	0	0	0
102	104	12.80	7.60	3.40	0	0	0	0	0	0	0	0
104	106	13.20	8.00	3.70	0	0	0	0	0	0	0	0
106	108	13.50	8.30	3.90	0	0	0	0	0	0	0	0
108	110	13.90	8.70	4.20	.20	0	0	0	0	0	0	0
110	112	14.20	9.10	4.50	.50	0	0	0	0	0	0	0
112	114	14.60	9.40	4.80	.70	0	0	0	0	0	0	0
114	116	15.00	9.80	5.10	1.00	0	0	0	0	0	0	0
116	118	15.30	10.10	5.30	1.30	0	0	0	0	0	0	0
118	120	15.70	10.50	5.60	1.60	0	0	0	0	0	0	0
120	124	16.20	11.00	6.00	2.00	0	0	0	0	0	0	0
124	128	16.90	11.80	6.60	2.60	0	0	0	0	0	0	0
128	132	17.70	12.50	7.30	3.10	0	0	0	0	0	0	0
132	136	18.40	13.20	8.00	3.70	0	0	0	0	0	0	0
136	140	19.10	13.90	8.70	4.20	.20	0	0	0	0	0	0
140	144	19.80	14.60	9.40	4.80	.80	0	0	0	0	0	0
144	148	20.50	15.40	10.20	5.40	1.30	0	0	0	0	0	0
148	152	21.40	16.10	10.90	5.90	1.90	0	0	0	0	0	0
152	156	22.20	16.80	11.60	6.50	2.40	0	0	0	0	0	0
156	160	23.10	17.50	12.30	7.10	3.00	0	0	0	0	0	0
160	164	23.90	18.20	13.00	7.90	3.60	0	0	0	0	0	0
164	168	24.70	19.00	13.80	8.60	4.10	.10	0	0	0	0	0
168	172	25.60	19.70	14.50	9.30	4.70	.60	0	0	0	0	0
172	176	26.40	20.40	15.20	10.00	5.20	1.20	0	0	0	0	0
176	180	27.30	21.20	15.90	10.70	5.80	1.80	0	0	0	0	0
180	184	28.10	22.00	16.60	11.50	6.40	2.30	0	0	0	0	0
184	188	28.90	22.90	17.40	12.20	7.00	2.90	0	0	0	0	0
188	192	29.80	23.70	18.10	12.90	7.70	3.40	0	0	0	0	0
192	196	30.60	24.60	18.80	13.60	8.40	4.00	0	0	0	0	0
196	200	31.50	25.40	19.50	14.30	9.10	4.60	.50	0	0	0	0

BIWEEKLY — Not Married — Wages $0 to 200

Payroll Journal Entries

An illustration of the payroll journal is presented in Appendix I. Information from the net payroll computation and the time and attendance records should be used for the entries into the payroll journal. The journal has the features discussed below.

Line Entries for Each Employee Within a School Location. Employees' names and pay rates are entered and used as reference information. Regular and overtime hours are entered so that earnings for the period may be calculated.

Earnings and Deductions. Columns are provided to record regular, overtime, and total (gross) earnings. Deduction columns are detailed for FICA, withholding taxes, insurance, and retirement payments and are then totaled for posting to the general ledger account. "Net Pay" and "Check Number" columns and a column for entering the pay period date (ending date of the period) are also provided.

Program and Function Journal Distribution Entries. Worksheets (Appendix I), which are part of the payroll journal, are recommended for computing distributions to programs and functions. An "Hours" column for each program and function is provided on the worksheet so that an employee's hours from his time sheet may be posted directly to this worksheet. The distributed labor dollar amount is then calculated by multiplying program, or function, hours by the employee's hourly rate. All program and function amounts are then totaled for the pay period. Employer-paid expenses also are prorated on the basis of total employee program and function dollars.

Recording Deposit into a Payroll Account. A transfer is made from the operating bank account to a payroll account for the full amount of the payroll liability, including withholding, FICA taxes, and other payments which are not immediately disbursed to payees. Salaries are paid immediately and are recorded as a disbursement from the payroll account. The remaining balance represents the withheld accounts which have yet to be paid to the government, retirement funds, etc., and which will be disbursed when they are due.

Payroll journal entries reflect payment of payroll expenses and are entered for each individual employee:

Debit		Credit	
4000D-4100D	Salaries	1030C	Cash, Payroll Checking Account
		2650C	Employee Benefits Payable

Payroll journal entries reflect the employer's share of payroll taxes and fringe benefits and are entered in total for the entire payroll:

Debit	Credit
4200 Employee Benefits	2200 Accrued Liabilities

Payroll journal entries reflect the replenishment of the payroll bank account for the gross amount of the total payroll, plus the employer's share of payroll taxes and employee benefits:

Debit	Credit
1030 Cash, Payroll Checking Account	1020 Cash, Checking Account

Sample general and payroll ledger postings are shown in Appendix J.

Employee Payroll Record Completion

An employee payroll record is required to report income for federal income tax and other purposes. It usually is arranged to parallel the payroll journal and is similar to the one illustrated in Appendix K. It is customary to record each pay period individually on hand-posted records and to use separate "Year to Date" columns in machine accounting. Usually, the headings of the employee payroll record provide spaces for recording all of the information needed to calculate the gross pay for an individual.

A "standard entry" line, which consists of the employee's normal gross pay, net pay, and deductions, frequently is included on the employee payroll record. The figures are entered when the employment contract has been signed and the standard deductions are determined. From that point on, the same amounts are used for each pay period unless an exception, such as overtime, a change in salary, or a change in deductions, occurs. This procedure eliminates the necessity for recalculating unchanged figures each pay period.

The employee payroll record is "footed" (i.e., each individual column is added) periodically to verify the accuracy of the postings. Official totals are usually taken at the end of the fiscal year and at the end of the calendar year. Usually, fiscal year totals are required for the annual audit of payroll records. Calendar year totals are required for reporting withholding tax or social security information to federal, state, or other involved agencies.

Additional discussion on payroll accounting is included in Chapter VII.

CHAPTER III

ALLOCATION OF COSTS AND EXPENSES

CONCEPT OF FULL COSTING

Cost allocation is the process of identifying and assigning costs to the "product" for which the costs have been incurred. In the case of school food service fund accounting, the "product" can be viewed as the particular type of meal served (program). Costs are also allocated to school locations so that complete operating reports can be prepared.

The school food service fund accounting system is predicated on the concept of full costing. This means that all costs, whether incurred directly by the school or program or indirectly on behalf of the school or program, will be charged to it.

PURPOSE OF FULL COSTING

There are two primary reasons for using the full costing method of accounting. Only by recording all costs chargeable to a fund or program can management properly control the school food service fund's total operation. For example, to make decisions, such as the normal price charged for meals, without full cost data could result in setting the price of meals too low or too high.

The second reason for using full costing is that many indirect costs of a school food service fund, or of particular programs, are reimbursable by other funds and governmental agencies. Therefore, the accounting system must provide sufficient data to ensure the appropriate amount of reimbursement.

TYPES OF COST ALLOCATIONS

Full costing in school food service fund accounting involves two different types of allocations. The first is assigning costs to individual school locations. This type of allocation will be required for such services as centrally prepared meals, centralized delivery services, centralized inventory receiving and storage, and centralized administrative services. This type of allocation may also be required for such costs as utility bills and general administrative costs which are allocated from the governmental unit to the school district. It also may be required from the food service fund to the school district where services are shared among all school fund entities.

The second type of allocation is assigning costs that have been collected and recorded in total to individual programs to achieve full program costing. Each of these allocations is discussed in detail for each of the various types of costs involved.

Allocation computations are to include costs incurred by all of a school district's funds on behalf of the school food service fund. Costs incurred beyond the local school district (such as costs incurred by the State and Federal Governments), which are not charged specifically to a school district's food service operation, are not to be considered as allocable school food service fund costs. Bases for allocation are, therefore, restricted to costs incurred by the school district and the school food service fund.

GENERAL ALLOCATION PROCEDURES

Some costs are easily identifiable with the school location or program for which they are incurred; however, many are not. Some costs are incurred for all school locations and all programs simultaneously (e.g., accounting services). Some costs may be identifiable with a particular location but not readily identifiable with specific programs at that location (e.g., the cost of equipment used to prepare food for all programs at a single school location). Other costs may be identifiable with specific programs but not with specific locations (e.g., printing and distributing weekly district-wide menus for a particular type of meal).

To provide school district and school food service fund management with sufficient information to manage the total food service operation properly and to prepare claims for the maximum reimbursements to which the fund is entitled, all of the costs mentioned above must be allocated to the various school locations and programs for which they were incurred. The allocation process involves determining a reasonable distribution of costs to the program, location, and cost accounts for which the cost was incurred.

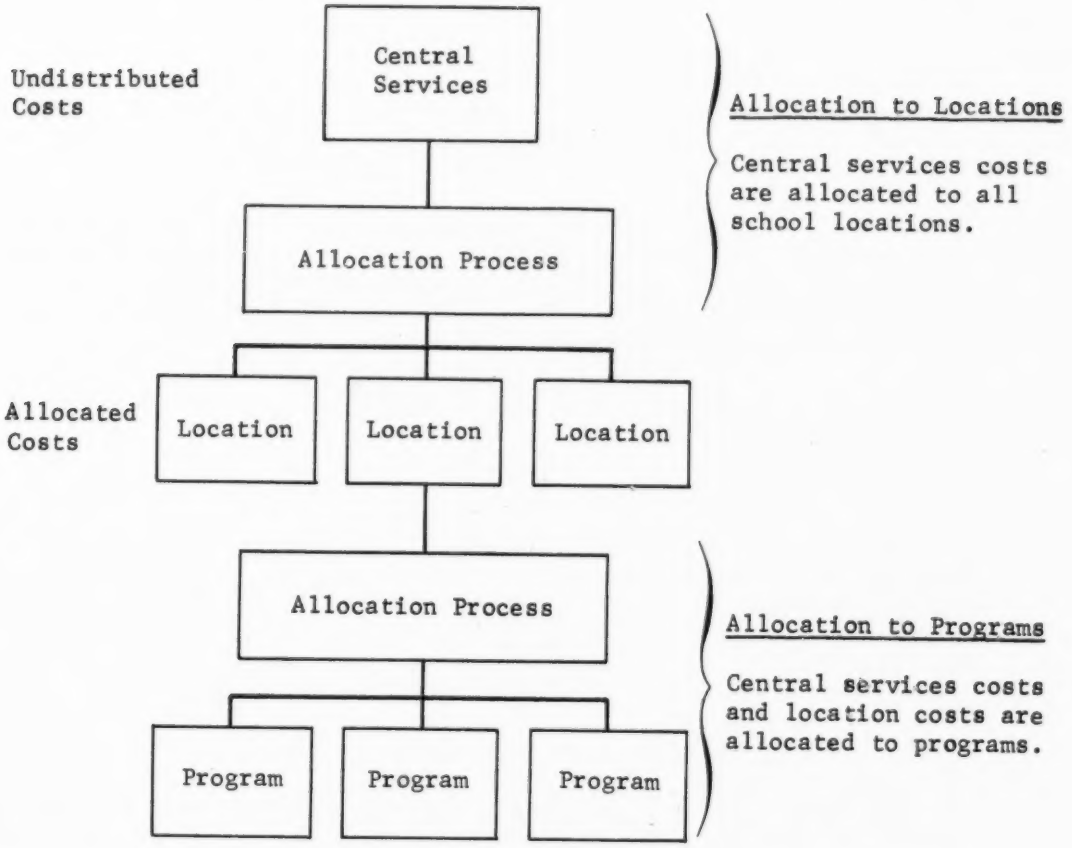
The overall flow of the allocation process is shown in Figure III.1. It illustrates the two allocation processes which are necessary to allocate fully all costs to programs and locations.

Recording Allocations to Programs

When allocating to programs, no journal entries or general ledger postings are required. The allocation takes place while reports are being prepared. The allocation process involves dividing the general ledger account balance among the various locations or programs to complete the reports.

FIGURE III.1

SCHOOL FOOD SERVICES ALLOCATION PROCESSES



Allocation Checklists

When preparing reports, worksheet checklists such as those shown in Figures III.2 and III.3 will be useful for allocation purposes. Figure III.2 shows the basis for allocation of costs to programs, and Figure III.3 shows allocation of costs to locations.

When calculating allocations, worksheets such as those shown in Appendices P and Q should be used. The allocation worksheet for purchased services, indirect labor, and other expenses (Appendix P) should be used for all types of allocations, except for allocating cost of food sold, which has a special worksheet (Appendix Q).

Several of the allocation procedures require the use of figures from an income statement. The most recent income statement for the year-to-date should be used as the source for such figures. In this way, the effect of monthly fluctuations will be minimized, and a more reasonable allocation of costs will result.

ALLOCATION TO LOCATIONS

Labor

Most labor will be directly charged to the various locations because most employees work at a single school cafeteria location. However, certain district level employees in the purchasing and administration function will not be in position to charge their salaries and benefits to a particular school location account; their costs and benefits will have to be allocated to various locations.

Since this indirect labor cost from the district level employees will be relatively small in comparison to total costs, the allocation process should be as simple as possible while still ensuring that reasonable charges are made to each school location. A recommended method is to allocate this indirect labor based on cafeteria direct labor costs, i.e., the direct labor costs for a school location are calculated as a percentage of total direct labor costs for school locations. The total indirect labor cost at the district level is multiplied by this percentage.

Purchased Services

Services may be purchased at the school district level, and a double allocation may be required. First, costs should be allocated from the school district general fund to the school food service fund, and second, these costs may be subsequently allocated to various location accounts within the school food service fund. Although allocations

FIGURE III.2

CHECKLIST FOR ALLOCATING COSTS TO PROGRAMS

Cost Element	Allocation Basis	Allocation Accomplished											
		J	F	M	A	M	J	J	A	S	O	N	D
Cost of Food Sold	Standard Meal Costs												
Indirect Labor	Direct Labor Cost												
Laundry and Linen	Direct Labor Hours												
Trash Removal	Cost of Food Sold												
Extermination	Cost of Food Sold												
Accounting Services	Total Revenue												
Computer Services	Total Revenue												
Transportation Charges	Cost of Food Used, or Total Revenue												
Training	Number of Meals Served												
Utilities	Number of Meals Served												
Repairs and Maintenance	Number of Meals Served												
Professional and Technical Services	Number of Meals Served												
Rentals	Number of Meals Served												
Printing and Binding	Number of Meals Served												
Miscellaneous Purchased Services	Total Revenue												
Depreciation Costs	Number of Meals Served												
All Other	Total Revenue												

FIGURE III.3

CHECKLIST FOR ALLOCATING COSTS TO LOCATIONS

COST ELEMENT	BASIS OF ALLOCATION FROM DISTRICT TO CAFETERIA FUND	BASIS OF ALLOCATION FROM CAFETERIA FUND TO LOCATIONS	ALLOCATION ACCOMPLISHED											
			J	F	M	A	M	J	J	A	S	O	N	D
Indirect Labor	Estimated No. of Hours Worked (% of Time Spent)	Direct Labor Cost												
Laundry and Linen	Average Daily Average Daily Participation Attendance	Number of Personnel												
Trash Removal	Average Daily Average Daily Participation Attendance	Cost of Food Sold												
Extermination	Average Daily Average Daily Participation Attendance	Number of Direct Hours												
Accounting Services	Number of Transactions or Total Revenue	Number of Transactions or Total Revenue												
Computer Services	Number of Transactions or Total Revenue	Number of Transactions or Total Revenue												
Transportation Charges	Food Service Cost/Total Cost	Miles or Direct Hours												
Training	Direct Labor Hours	Direct Labor Cost												
Utilities	Number of Square Feet	Number of Square Feet												
Repairs and Maintenance	Number of Direct Hours	Number of Direct Hours												
Professional and Technical Service	Number of Service Hours	Number of Service Hours												
Rentals	(Various Types of Rentals to be considered)	(Various Types of Rentals to Be Considered)												
Printing and Binding	Food Service Revenue/Total Revenue	Direct Hours, Number of Pages, or Job Basis												
Miscellaneous Purchased Services	Total Revenue	Total Revenue												
Depreciation Costs	(Various Types of Equipment to Be Considered)	(Various Types of Equipment to Be Considered)												
All Other	Total Revenue	Total Revenue												

to the school food service fund may not be made in one of the methods listed below, the following guidelines should be observed in making allocations to the various location accounts:

Type of Service	Basis of Allocation From Other School District Funds to the School Food Service Fund	Basis of Allocation From School Food Service Fund to School Locations
laundry and linen	average daily participation calculated as a percentage of average daily attendance	number of personnel served
trash removal	average daily participation calculated as a percentage of average daily attendance	cost of food sold at each location
extermination	average daily participation calculated as a percentage of average daily attendance	number of hours spent at each school
accounting services	number of transactions processed for the food service fund (If data are not available, use total dollar volume of the food service fund.)	number of transactions processed (If data are not available, use the total dollar volume.)
computer services	total revenue of the food service fund	the "size" of each location (Computer services will normally be charged to the school food service fund for accounting services and payroll services. Thus, an allocation to each location should be made based on size. A reasonable basis for allocation is total revenue, line 17 of the income statement, shown in Chapter IV, Figure IV.1.)

Type of Service	Basis of Allocation From Other School District Funds to The School Food Service Fund	Basis of Allocation From School Food Service Fund to School Locations
transportation charges	cost of food service (includes leased or purchased vehicles calulated as a percentage of the total cost of school district vehicles)	the number of miles between the school location and the point from which delivery is made (for regular uses, such as delivery of food from a warehouse to preparation sites) (For all other service, use the actual miles or hours used by each location.)
training	training only allocated when personnel not assigned to a particular location are involved (In such cases, the total food service direct labor cost is calculated as a percentage of the total school district labor cost should be used as the allocation basis.)	only allocated when personnel not assigned to a particular location are involved (In such cases, the direct labor cost at each location should be used.)
utilities	number of square feet of occupied floor space	number of square feet of occupied floor space
repairs and maintenance	number of hours actually used	number of hours actually used
professional and technical services	number of hours actually used, dependent upon the type of service purchased (Total direct food service hours calculated as a percentage of total district labor hours is suggested.)	dependent upon the type of service purchases (Direct hours at each location are the best basis, but other bases, such as number of meals served at each location, if appropriate, will result in a reasonable allocation.)

Type of Service	Basis of Allocation From Other School District Funds to The School Food Service Fund	Basis of Allocation From School Food Service Fund to School Locations
rentals	usually do not require allocation (When they do, the basis depends upon the type of rental involved, e.g., hours of use, space required, number of transactions, and total food service fund revenue.)	usually will not require allocation (When they do, the basis of allocation depends upon the type of rental involved, e.g., hours of use, space required, total food service fund revenue, number of transactions, etc.)
printing and binding	a percentage of total school district revenue when it is not a direct charge to a school food service fund	number of direct hours, job basis, or number of pages at each location may be used
miscellaneous	a percentage of total school district revenue when it is not a direct charge to a school food service fund	"total revenue line" (line 17 of income statement)

Allocations of purchased services expenses should be made only when no direct charges can be made to individual location accounts. When allocations are made, the basis of allocation is used to determine a particular school location's percentage of indirect cost.

Equipment Depreciation

In most cases, equipment depreciation expense can be allocated based upon the value of the assets being depreciated. When depreciating assets cannot be charged to individual location accounts, allocation of depreciation is based on utilization of the asset (e.g., miles driven for vehicles).

All Other Costs

All other miscellaneous expenses not covered above should be allocated to school locations based on total revenue (line 17 of the income statement). These expenses will be small in relation to total expenses, and such an allocation will result in reasonable charges to each school location account.

ALLOCATION OF COSTS TO PROGRAMS

General

To facilitate reporting to state agencies and to assist in managing various programs, it is necessary to allocate indirect costs to each of the programs. Since direct labor hours will be accumulated by program, no allocation will be required. In addition to direct labor, cost of food sold will be allocated to programs. All other costs will be allocated to programs only within the fund as a whole. Therefore, data will be available to management on these direct costs for each program at each location and for all costs for each program at the district level. The methods of allocating cost of food sold and other costs are discussed below.

Cost of Food Sold

To allocate the total cost of food sold for the school district and for each school location, standard meal costs must be used. The standard meal cost is the average expected cost of food sold for a particular type of meal. This standard cost may be based on actual food costs for various types of meals. If such data are not available, the standard cost can be computed from the known market price of the various components of each type of meal.

The allocation computations are shown in Figure III.4. A standard unit cost for each type of meal is estimated. This unit cost is multiplied by the actual number of meals served by program at each school location. By means of this multiplication, the total standard costs for all meals served is calculated. A percentage of program costs at each location is also calculated. This percentage is multiplied by total actual costs to arrive at the cost allocated to each program at each location. The cost for a given location is simply the sum of the costs allocated to the programs at that location.

Indirect Costs

Indirect costs are allocated to the various programs of the school food service fund in a similar manner to that used to allocate such costs to locations. This allocation is performed after indirect costs have been allocated from the school district to the school food service fund, as described above. The various bases for allocations to programs are discussed below.

Element of Cost	Basis for Allocation
labor	the total direct labor cost assigned to each program (All indirect labor will have to be allocated to programs.)

FIGURE III.4

ALLOCATION OF COST OF FOOD SOLD TO PROGRAM ACCOUNTS

1. Sales

	School A	School B	School C	Total
Breakfasts	110	73	0	183
Type A Lunches	238	419	503	1,160
Total	348	492	503	1,343

2. Standard Meal Costs: Breakfast, $.28; Type A Lunch, $.54

3. Total Actual Cost of Food Sold: $703.81

4. Total Standard Cost of Food Sold:

(183 x .28) + (1,160 x .54) = $677.64

5. Standard Cost by School by Program:

School A - Breakfast (110 x .28) = $ 30.80
School A - Type A Lunch (238 x .54) = $128.52
School B - Breakfast (73 x .28) = $ 20.44
School B - Type A Lunch (419 x .54) = $226.26
School C - Type A Lunch (503 x .54) = $271.62

6. Percentages of Standard Cost by School by Program:

School A - Breakfast 30.80 ÷ 677.64 = 4.5%
School A - Type A Lunch 128.52 ÷ 677.64 = 19.0%
School B - Breakfast 20.44 ÷ 677.64 = 3.0%
School B - Type A Lunch 226.26 ÷ 677.64 = 33.4%
School C - Type A Lunch 271.62 ÷ 677.64 = 40.1%

7. Cost Allocations by School by Program:

School A - Breakfast 4.5% x 703.81 = $ 31.67
School A - Type A Lunch 19.0% x 703.81 = $133.72
School B - Breakfast 3.0% x 703.81 = $ 21.12
School B - Type A Lunch 33.4% x 703.81 = $235.07
School C - Type A Lunch 40.1% x 703.81 = $282.23

Element of Cost	Basis for Allocation
purchased services	Some purchased services may be chargeable directly to various programs, and some may be chargeable only to a limited number of programs. The various services are shown below.
laundry and linen	number of direct labor hours charge to each program
trash removal	costs of food sold charged to each program
extermination	cost of food sold charged to each program
accounting services	total revenue accumulated for each program
transportation charges	cost of food sold charged to each program for transportation charges in the delivery function (Total revenue is accumulted for each program for all other transportation charges.)
training	total number of meals served by each program
utilities	total number of meals served in each program
repairs and maintenance	total number of meals served by each program
professional and technical services	allocation basis dependent upon the nature of the service (If no other basis is logical, the number of meals served by each program should be used.)

Element of Cost	Basis for Allocation
rentals	for rentals of kitchen equipment, the actual or estimated number of hours used by each program. (For vehicles, the same basis as transportation charges should be used. For other rentals, the total revenue accumulated for each program should be used.)
printing and binding	the number of meals served by each program
miscellaneous purchased services	the total revenue accumulated by each program
equipment depreciation	the total number of meals served by each program
other expenses	the total revenue accumulated by each program

CHAPTER IV

OPERATING REPORTS

INTRODUCTION

This chapter contains detailed instructions on the preparation and use of various operating reports. Operating reports are used internally by school food service fund management and individual cafeteria managers to monitor operations and financial conditions and to assist in preparing reports to local, state, and federal governments.

There are several operating reports that will be used by school food service fund managers. The two primary reports are the income statement and the balance sheet. The income statement summarizes financial operations during an accounting period, while the balance sheet summarizes financial conditions at the end of an accounting period. In addition to these two major reports, other operating statisistics and reports will be prepared regularly. All of these are discussed below. The instructions shown in this chapter must be used in conjunction with the procedures described in Chapter III, "Allocation of Costs and Expenses."

INCOME STATEMENT

Principles of the Income Statement

The income statement (or operating statement) is a financial report that summarizes operations during a specific accounting period. It is prepared on the accounting principle of matching costs with revenues and, therefore, shows much more than the change in cash balances. The "Net Profit (or Loss)" line of the report is used as an indicator of the current "health" of the school food service fund. Also, other figures on the report, such as "sales" and "cost of food sold," are used in a similar manner. In school food service fund accounting, several income statements are prepared; statements are prepared for each school location, for the fund as a whole, and for each program, and a modified statement is prepared for each program at each school. The income statement for the individual school location is the basic report, and complete instructions for this report are given in this chapter. Instructions for other income statements are based on those for individual schools.

Preparing the Income Statement at the School Location Level

The income statement is prepared at the end of each month for two different accounting periods, the month just ended and the year-to-date. These two income statements should be prepared immediately after all

transactions for the month have been recorded. (Transactions should be posted to the accounts as soon as possible after the end of the month.) Preparation of the statements should not be delayed because some transactions may be outstanding. In no case should preparation be delayed beyond the tenth calendar day of the next month.

If, at the end of a year, a large number of adjusting entries are required, a preliminary report should be prepared by the tenth of the month and revised when final figures are available. In no other case should monthly statements be revised, unless significant changes are required. Transactions for small amounts that appear after statements have been prepared should be included as part of the current (new) accounting period, even though they actually occurred during the previous period.

A recommended format for an income statement to be used by a school food service fund or individual cafeteria is shown in Figure IV.1. Each line item for "cost of food sold," "direct labor," and "other expenses" in the report is expressed in terms of dollars and also as a percentage of "total revenue."

When using the general ledger account specified for calculating each line of the income statement, the activity for the account during the accounting period must be used unless otherwise specified. The activity is the net change in the account balance during the month (i.e., the ending balance minus the beginning balance).

The amount for each line in the income statement is calculated as follows:

Line Number	Method of Calculation
1	Enter the sum of the sales to pupils accounts (account 3010), except the special functions account.
2	Enter the sum of the sales to adults accounts (account 3040), except the special functions account.
3	Enter sales in special functions (program account 5) only.
4	Enter the sum of lines 1 to 3.
5	Enter the sum of all price reduction for reduced price and free meal accounts (3110 to 3119).
6	Enter the result of subtracting line 5 from line 4.

FIGURE IV.1

W.P. No. _____
Accountant _____
Date _____

INCOME STATEMENT FOR JANUARY 1972

Line No.		Amount	Month Amount	%	Amount	%	Amount	Year to Date Amount	%	Amount	%
	Revenue										
1	Sales: To Pupils	$1,972					$8,761				
2	To Adults	357					1,701				
3	Special Functions	0					0				
4	Gross Sales	2,329					10,462				
5	Less: Price Reductions for Reduced Price Meals	60					288				
6	Net Sales Revenue		$2,269					$10,174			
7	Federal Revenue: Reimbursements	701					3,396				
8	Donated Commodities	695					3,351				
9	Revenue from Federal Sources		$1,396					$6,747			
10	State Revenue: Cash Reimbursements	254					1,201				
11	Other Cash Payments	148					712				
12	Donated Goods and Commodities	0					0				
13	Revenue from State Sources		$ 402					$1,913			
14	Local Revenue: Transfers	145					685				
15	Miscellaneous	35					81				
16	Revenue from Local Sources		$ 180					$ 766			
17	Total Revenue				$4,247	100.0%				$19,600	100.0%
18	Cost of Food Sold				1,695	39.9				7,817	39.9
19	LABOR COSTS				1,192	28.1				5,384	27.5
20	Gross Profit				$1,360	32.0				$6,399	32.6
	Other Expenses										
21	Supplies		$ 176	4.1%				$ 764	3.9%		
22	Purchased Services		759	17.9				3,519	18.0		
23	Depreciation Expense		337	7.9				1,685	8.6		
24	Other Expenses		82	1.9				410	2.1		
25	Total Other Expenses				$1,354	31.9%				$6,378	32.5%
26	Net Profit				$6	.1%				$21	.1%

7	Enter federal reimbursements (account 3710).
8	Enter value of donated commodities received from federal sources (account 3810).
9	Enter the sum of lines 7 and 8.
10	Enter state cash reimbursement (account 3510).
11	Enter other state cash payments (account 3520).
12	Enter value of donated commodities and goods received from state sources (account 3610).
13	Enter the sum of lines 10 to 12.
14	Enter transfers from other funds (account 3210).
15	Enter miscellaneous revenue from local sources (account 3410).
16	Enter the sum of lines 14 and 15.
17	Enter the sum of lines 6, 9, 13, and 16.
18	If a perpetual inventory system is used, enter the sum of all food cost accounts. If a periodical inventory is used, enter the amount calculated on the cost of food sold worksheet (Figure IV.2).
19	Enter the sum of the salaries (accounts 4000 - 4199) and employee benefits (accounts 4200 - 4299).
20	Enter the result of subtracting lines 18 and 19 from line 17.

21	Enter the sum of all the supplies cost accounts (4500 to 4599). If a periodical inventory system is used, enter the amount calculated by subtracting the inventory balance at the beginning of the accounting period from the inventory balance at the end of the accounting period. Then add the result of the supplies cost accounts (4500 to 4599). (A separate worksheet may be desirable for this calculation.)
22	Enter the amount calculated on the worksheet for purchased services (Figure IV.3).
23	Enter the sum of the depreciation accounts (4710 and 4720).
24	Enter the sum of the other expense accounts (4800 to 4999).
25	Enter the sum of lines 21 to 24.
26	Enter the result of subtracting line 25 from line 20.

Figures IV.2 and IV.3 are worksheet formats which are used in preparing the income statement. Figure IV.2 is used to calculate cost of food sold when a periodical inventory system is used. All food received during the month is charged to the food purchases account. A physical inventory is taken at the end of every month. The food inventory at the end of the period is subtracted from the sum of the food inventory at the beginning of the period and the food purchases accounts to yield the cost of food sold. Figure IV.3 is used to calculate purchased services. The activity in the general ledger account is recorded directly from the general ledger to the worksheet. Both worksheets must be attached to the income statement because they provide a source of detail not otherwise available.

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1 Separate worksheets may be used in calculating the amounts in lines 23 and 24.

FIGURE IV.2

COST OF FOOD SOLD WORKSHEETS

(PERIODICAL INVENTORY METHOD)

1.	Beginning Food Inventory	$1,745	
2.	Food Purchases	1,492	
3.	Food Available		$3,237
4.	Ending Food Inventory		1,542
5.	Cost of Food Sold		$1,695

FIGURE IV.3
WORKSHEET FOR PURCHASED SERVICES

4310 - Laundry and Linen	$ 50	
4320 - Trash Removel	18	
4330 - Extermination	13	
4340 - Accounting Services	21	
4350 - Computer Services	0	
4360 - Transportation Charges	62	
4370 - Utilities	91	
4380 - Repairs and Maintenance	121	
4390 - Professional and Technical Services	375	
4400 - Rentals - Equipment	0	
4410 - Printing and Binding	0	
4420 - Miscellaneous	8	
Total Purchased Services		$759

Using the Income Statement

The income statement for a school food service fund is based on two important accounting concepts, accrual accounting and the reflection of all costs of operations.

Again, accrual accounting means that revenue and expenses are recorded when earned or incurred regardless of when cash is received or disbursed. Revenue is earned when meals are served, and expenses are incurred when goods or services are used. Therefore, the use of accrual accounting means that the income statement cannot be used to judge the cash position of the school food service fund. For this reason, a separate statement of changes in financial position, which is discussed below, is prepared. The use of accrual accounting also means that costs may be closely related to the revenue they generated. Therefore, the net profit figure may be used to indicate whether costs are within or are exceeding revenues.

The reflection of all costs of operations means that costs must be shown at actual market value. This means that when commodities, equipment, and labor are donated to the school food service fund or sold at a reduced price, the difference between market value and actual cost is recorded as revenue. When the commodities, equipment, or labor are used, actual market values are used to reflect such costs.

Only by using such techniques will it be possible to compare the operating results of the school food service fund in accounting periods having markedly different levels of donations. For example, a school food service fund selling meals valued at $1,000 which uses $400 worth of food would show food cost to be 40 percent of revenue. If 50 percent of the fund's food is donated, and the value of the donations is not recorded, revenue would be shown as $800 and food cost as $200, thus making food cost only 25 percent of revenue. In either case, gross profit equals $600.

The operating results of a single accounting period are more meaningful when compared with the results of other periods, with the results of other food service funds, and with a set of standards (forecasts or budgets). Cost of food sold and direct labor within a single fund should remain fairly constant percentages of revenue over time. Explanations should be sought for any significant change which occurs in these accounts; corrective action may be required. For example, an increase in cost of food sold may be the result of poor storage conditions which cause excessive spoilage.

The Consolidated Income Statement

In addition to the income statements for each school, consolidated income statements for the entire school district for the month and for the year-to-date should be prepared. These are used to assist in preparing reports to state and federal agencies. The consolidated statements are simply the sum of the income statements of the various schools.

The Income Statement by Program

In addition to the income statements for each school and the consolidated income statement, separate income statements should be prepared for each program, except miscellaneous revenue. The breakdown of revenue by program for each school should be maintained in the ledger. Costs should be allocated to the various programs according to the procedures discussed in Chapter III.

The income statements for each program of the school district should be prepared monthly for the month just ended and the year-to-date, according to the format shown in Figure IV.4. In addition to the actual sales revenue generated, the number of meals served should also be shown. These figures are obtained from the column totals on the reimbursement voucher worksheet and are illustrated in Appendix B. The number of meals served should be divided into the cost figure for each type of meal, and the result (cost per meal) should be shown. The cost per meal figures can be used to compare the operating results of various schools within a district.

Separate income statements for each program should be prepared for each school serving more than one type of meal. These statements follow the same format as shown in Figure IV.4; however, they should only include direct costs and should end with gross profit, line 20.

THE BALANCE SHEET

Principles of the Balance Sheet

The balance sheet is a financial report that summarizes the financial condition of the school food service fund at a given point in time. It is prepared simply by measuring the value of all items owned by the fund (assets) and all items owed by the fund (liabilities). Primarily, measurement is based upon the market value at the time of procuring assets or incurring liabilities. Items such as cash, accounts receivable, and accounts payable are relatively easy to measure. Inventory is valued at cost or at market value if items are donated. Equipment

FIGURE IV.4

PROGRAM INCOME STATEMENT FOR JANUARY 1972
TYPE A LUNCH PROGRAM

W.P. NO.
ACCOUNTANT
DATE

LINE NO.	(NO.)	MONTH AMOUNT	MONTH AMOUNT	MONTH %	MONTH AMOUNT	MONTH %	MONTH $ PER MEAL	YEAR TO DATE NO.	YEAR TO DATE AMOUNT	YEAR TO DATE AMOUNT	YEAR TO DATE %	YEAR TO DATE AMOUNT	YEAR TO DATE %	YEAR TO DATE $ PER MEAL
	REVENUE													
1	SALES: TO PUPILS 3,175	$ 986							$4,381					
2	TO ADULTS 425	179							850					
3	SPECIAL FUNCTIONS 0	0							0					
4	GROSS REVENUE 3,500	1,165							5,231					
5	LESS: PRICE REDUCTIONS FOR REDUCED PRICE MEALS	30						16,900	144					
6	NET SALES REVENUE		$1,135							$5,087				
7	FEDERAL REVENUE: REIMBURSEMENTS	350							1,698					
8	DONATED COMMODITIES	348							1,676					
9	REVENUE FROM FEDERAL SOURCES		$ 698							$3,374				
10	STATE REVENUE: CASH REIMBURSEMENTS	127							600					
11	OTHER CASH PAYMENTS	74							356					
12	DONATED GOODS AND COMMODITIES	0							0					
13	REVENUE FROM STATE SOURCES		$ 201							$ 950				
14	LOCAL REVENUE: TRANSFERS	73							343					
15	MISCELLANEOUS	17							40					
16	REVENUE FROM LOCAL SOURCES		$ 90							$ 383				
17	TOTAL REVENUE				$2,124	100.0%	$.607					$9,800	100.0%	$.580
18	COST OF FOOD SOLD				848	39.9	.242					3,909	39.9	.231
19	LABOR				596	28.0	.171					2,692	27.5	.160
20	GROSS PROFIT				$ 680	32.1						$3,199	32.6	
	OTHER EXPENSES													
21	SUPPLIES		$ 88	4.1%			.025			$ 382	3.9%			.023
22	PURCHASED SERVICES		380	17.9			.109			1,760	18.0			.104
23	DEPRECIATION EXPENSE		168	7.9			.048			842	8.6			.050
24	OTHER EXPENSES		41	1.9			.012			205	2.1			.012
25	TOTAL OTHER EXPENSES				677	31.9						3,189	39.5	
26	NET PROFIT				$ 3	.1%						$ 10	.1%	
	TOTAL COST PER MEAL						$.607							$.580

is measured in the same way as inventory, minus an estimated amount of value lost due to normal use and time (depreciation). The fund balance is simply the difference between total assets and total liabilities.

Preparing the Balance Sheet

A balance sheet should be prepared at the end of each month for each school location. In preparing these reports, only assets and liabilities actually held by the school location are used. All assets, such as cash and equipment, held centrally at the school district level are not counted.

A recommended format for the balance sheet is shown in Figure IV.5. The amount for each line is the balance in the specified general ledger account at the end of the period:

Line Number	Method of Calculation
1	Enter the sum of cash in bank, checking, cash in bank, savings, and petty cash (1000 series of accounts).
2	Enter due from (name of) fund (1110 series). Make a separate entry for amounts due from each separate fund.
3	Enter due from (name of) government (1130 series). Make a separate entry for amounts due from each separate government.
4	Enter accounts receivable (account 1150).
5	Enter the sum of lines 2 to 4.
6	Enter inventory, food (account 1200 series.
7	Enter inventory, supplies (account 1220).
8	Enter the sum of lines 6 and 7.
9	Enter sum of prepaid expenses (accounts 1300 to 1399).

FIGURE IV.5

BALANCE SHEET, AS OF JANUARY 31, 1972

	Assets			
	Current Assets:			
1	Cash		$1,031	
	Receivables:			
2	Due from Fund	$2,087		
3	Due from Government	934		
4	Other Receivables	119		
5	Total Receivables		$3,140	
	Inventories:			
6	Food	$1,542		
7	Supplies	216		
8	Total Inventories		$1,758	
9	Prepaid Expenses		118	
10	Sinking Fund Cash		540	
11	Total Current Assets			$ 6,587
	Fixed Assets:			
12	Equipment	$3,841		
13	Vehicles	0		
14	Total Fixed Assets		$3,841	
15	Less Accumulated Depreciation		600	
16	Net Fixed Assets			3,241
17	Ticket Value Account			1,000
18	Total Assets			$10,828
	Liabilities			
	Payables:			
19	Accounts Payable	$ 810		
20	Due to Fund	2,150		
21	Due to Government	800		
22	Total Payables		$3,760	
23	Employees' Leave Liability		1,050	
24	Deferred Income		985	
25	Other Liabilities		495	
26	Total Liabilities			$ 6,290
	Fund Balance and Reserves			
27	Fund Balance		$3,998	
28	Reserve for Fixed Assets		540	
29	Total Fund Balance and Reserves			$ 4,538
30	Total Liabilities, Fund Balance, and Reserves			$10,828

10	Enter cash, sinking fund account (1050).
11	Enter the sum of lines 1, 5, 8, 9, and 10.
12	Enter equipment (account 1510).
13	Enter vehicles (account 1520).
14	Enter the sum of lines 12 and 13.
15	Enter accumulated depreciation (account 1590).
16	Enter the result of subtracting line 15 from line 14.
17	Enter the ticket value (account 1610).
18	Enter the sum of lines 11, 16, and 17.
19	Enter the sum of accounts payable (account 2010), loans payable (account 2015), salaries payable (account 2020), employee benefits payable (account 2025), taxes payable (account 2040), and accrued interest payable (account 2045).
20	Enter due to (name of) fund (2050 series). Make a separate entry for amounts due to each separate fund.
21	Enter due to (name of) government (2070 series). Make a separate entry for amounts due to each government.
22	Enter the sum of lines 19 to 21.

23	Enter the sum of annual leave liability (account 2030) and sick leave liability (account 2035).
24	Enter deferred income (account 2610).
25	Enter other liabilities (account 2090).
26	Enter the sum of lines 22 to 25.
27	Enter the sum of fund balance (account 2710) plus the net profit (line 26) from the income statement for the year to date.
28	Enter the reserve for fixed assets (account 2810).
29	Enter the sum of lines 27 and 28.
30	Enter the sum of lines 26 and 29.

Using the Balance Sheet

Two line items on the balance sheet, the "Employees' Leave Liability" (line 23) and "Reserve for Fixed Assets" (line 28), are adjusted only annually. In the case of the former line, the actual liability for earned, but unused, employee annual and sick leave is computed at the end of the year and entered into the books of account. The year-end liability then serves as an estimate in monthly reports during the next year. The "Reserved for Fixed Assets" is set equal to "Sinking Fund Cash" (line 10) also at the end of the year.

Relationships between various items on the balance sheet and general operating results may indicate that corrective action is required in some areas. Two relationships which are important are discussed below.

The ratio of current assets to current liabilities (the current ratio) and the difference between current assets and current liabilities (net working capital) serve as an indication of the school food service fund's ability to finance current operations. If these figures steadily decrease over time, the school's ability to pay its bills may be impeded.

The relationship of cash to other current assets should remain fairly constant over time. If this ratio decreases, it may indicate

that uncollectable receivables or unusable inventories are being accumulated, and this situation could affect the school's ability to pay its bills.

The Consolidated Balance Sheet

The consolidated balance sheet of a school district will be used to prepare reports to other governmental agencies and will be used to compare the financial conditions of individual school food service funds within the district. The consolidated balance sheet is simply the sum of the balance sheets of the individual funds.

THE STATEMENT OF CHANGES IN FINANCIAL POSITION

The statement of changes in financial position is a financial report that summarizes the effect of financial transactions on the cash account during an accounting period. It is essentially a report that translates the income statement from an accrual basis of accounting to a cash basis. The report adds depreciation (a non-cash deduction from revenue) to net profit and then adjusts this amount for changes in assets and liabilities. Increases in liabilities and decreases in assets are sources of cash, and increases in assets and decreases in liabilities are uses of cash. Thus, the report allows the school food service manager to see the effect overall operations have on cash balances.

Preparing the Statement of Changes in Financial Position

The statement of changes in financial position (see Figure IV.6) is prepared at the end of each month for the same month just ended and the year to date as the income statement. It can be prepared from either the income statement and balance sheet or directly from the general ledger. The former method is simpler and is illustrated in Figure IV.6.

When preparing a statement of changes in financial position for a given accounting period, an income statement for the same accounting period is required, along with balance sheets for the beginning and the end of the accounting period. The line item amounts are calculated as follows:

Line Number	Method of Calculation
1	Enter the "Net Profit" (line 26) from the income statement.
2	Enter "Depreciation Expense" (line 23) from the income statement.

FIGURE IV.6

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR JANUARY 1972

Line No.		Sources of Cash	Uses of Cash	
	Results of Operations:			
1	Net Profit (or Loss)	$ 6		
2	Depreciation	337		
	Changes in Assets (Reductions are Sources):			
3	Receivables		$143	
4	Inventories - Food	203		
5	Inventories - Supplies		57	
6	Prepaid Expenses	14		
7	Fixed Assets	0		
8	Ticket Value Account	67		
	Changes in Liabilities (Reductions are Uses):			
9	Accounts Payable		154	
10	Employees' Leave Liability		0	
11	Deferred Income		65	
12	Other Liabilities		64	
13	Total Sources and Uses	627	483	
14	Total Increase (Decrease) in Cash			$144
15	Increase (Use) or Decrease in Sinking Fund Cash		250	
16	Increase (Decrease) in Operating Cash			($106)

3	Enter the difference in "Total Receivables" (line 5) as shown on the balance sheets for the beginning and end of the accounting period. If receivables have increased, a use of cash is recorded.
4	Enter the difference in "Inventory, Food" (line 6) as shown on the balance sheets for the beginning and end of the accounting period. If food inventory has increased, a use of cash is recorded.
5	Enter the difference in "Inventory, Supplies" (line 7) as shown on the balance sheets for the beginning and end of the accounting period. If supplies inventory has increased, a use of cash is recorded.
6	Enter the difference in "Prepaid Expenses" (line 9) as shown on the balance sheets for the beginning and end of the accounting period. If prepaid expenses have increased, a use of cash is recorded.
7	Enter the difference in "Fixed Assets" (line 14) from the balance sheets for the beginning and end of the accounting period, minus the amount shown as "Depreciation" (line 15). If fixed assets have increased, record a use of cash.
8	Enter the difference in "Ticket Value Account" (line 17) as shown on the balance sheets for the beginning and end of the accounting period. If the ticket value account has increased, a use of cash is recorded.
9	Enter the difference in "Total Payables" (line 22) as shown on the balance sheets for the beginning and end of the accounting period. If payables have increased, a source of cash is recorded.

10	Enter the difference in "Employees' Leave Liability" (line 23) as shown on the balance sheets for the beginning and the end of the accounting period. If the liability has increased, a source of cash is recorded. This amount will be zero on all reports except those prepared at the end of the year.
11	Enter the difference in "Deferred Income" (line 24) as shown on the balance sheets for the beginning and end of the accounting period. If deferred income has increased, a source of cash is recorded.
12	Enter the difference in "Other Liabilities" (line 25) as shown on the balance sheets for the beginning and end of the accounting period. If other liabilities have increased, a source of cash is recorded.
13	Enter the sum of all previous lines in the appropriate columns.
14	Enter the result of subtracting "Total Uses" from "Total Sources." If the amount is negative, enclose it in parentheses.
15	Enter the difference in "Sinking Fund Cash" (line 10) as shown on the balance sheets for the beginning and end of the accounting period. If sinking fund cash has increased, a use of cash is recorded.
16	Enter the result of subtracting line 15 (if it is a use of cash) from line 14. If the result is negative, enclosed in parentheses.

The consolidated statement of changes in financial position is prepared in the same manner as the statement for individual school food service funds using consolidated income statements and balance sheets.

OTHER OPERATING STATISTICS

Two other operating statistics, in addition to those mentioned above, are important in evaluating the operating results of a school food service fund: inventory turnover and meals per man-hour. The calculation and use of these statistics are described below.

Inventory Turnover

Inventory turnover is simply a measurement of the number of times that inventory is used up during an accounting period. To minimize the fluctuations which occur during a single month, averages are used, and the formula for calculating inventory turnover is:

turnover = average monthly sales ÷ average monthly inventory

For example, assume that sales and inventory levels for the last three operating periods (months) are as follows:

	Sales	Ending Inventory, Supplies
Jan.	$1,500	$ 800
Feb.	$1,600	$ 600
March	$1,520	$1,000

Average period sales are calculated as follows:

($1,500 + $1,600 + $1,520) ÷ 3 months = $1,540/month

Average period inventory is computed accordingly:

($800 + $600 + $1,000) ÷ 3 months = $800/month

Applying these results to the turnover formula, the turnover (or turnover ratio) is:

inventory turnover = $1,550 $800 = 1.9 turnover per month

This means that, on the average, a school food service operation is using (or replenishing) its supplies inventory approximately twice a month. Separate average inventory figures should be calculated for food inventory and supplies inventory.

Inventory turnover for each of the various school locations must be compared to one another, and to the inventory turnover for the

entire fund. Wide differences in the averages reported by individual schools within a district should be investigated by district management. A high turnover may indicate that large lot purchases of frequently used items are not being made, while a low turnover may result in excessive spoilage of perishable items or an unnecessary investment in inventory.

Meals Per Man-Hour

The meals per man-hour figure is calculated by dividing the total number of a particular type of meal served by the total labor man-hours chargeable to it. The resulting figure is used along with labor costs expressed as a percentage of revenue for the type of meal. Together they can be used to indicate locations where labor rates may be higher or lower than desirable or where the labor effort per meal is too high or low. The meals per man-hour figure is useful because it measures the relationship between meals and direct labor regardless of the price of either the meals or labor.

School food service fund operating reports are intended to help district management monitor the achievement of school food service goals. Although the reports cannot provide complete details of operations, the comparison of reports over time and between schools will reveal areas where further investigation is required.

UNALLOWABLE COSTS

Under the regulations of the National School Lunch Program, claims for reimbursement may not include the following costs:

- cost of land;
- acquisition cost of buildings;
- construction cost of buildings;
- alteration cost of buildings;
- value of USDA-donated commodities used; and
- the rental value of buildings or land.

While the operating statement for the school food service fund may include some of the above items for evaluating the fund's effectiveness, they must be excluded for reimbursement reporting purposes.

All other expenses, both direct and allocated costs, which meet the following criteria are legitimate school food service costs:

- The expenses are valid (i.e., they represent the cost of goods and services provided). In particular, allocated costs should be determined using the recommended allocation procedures outlined in Chapter III.

- The expenses are recorded properly in the fund's books of account (i.e., they are properly charged to the food service fund). Expenses paid by other school funds must be offset by revenues to the school food service fund.

The USDA Food and Nutrition Service will determine which of the legitimate costs may be included for reimbursement purposes.

CHAPTER V

EXPANDED CHART OF ACCOUNTS

PURPOSE OF THE EXPANDED CHART OF ACCOUNTS

The expanded chart of accounts is a list of all the accounts to be used in school food service fund accounting. It provides a logical structure by which individual schools can account for revenues, expenses, assets, liabilities, and equity of its food service fund. By providing a uniform account structure, the expanded chart of accounts makes it possible for a school district to consolidate the financial statements of individual funds to create meaningful composite statements. Individual schools must be aware that school districts will rely on the uniformity of reports from various schools; therefore, schools should adhere to the account definitions presented in this chapter.

An account is defined as a descriptive heading under which similar financial transactions are recorded. The four different types of accounts defined in this chapter are:

- general ledger and subsidiary accounts;
- function accounts;
- program accounts; and
- location accounts.

The general ledger accounts are further broken down into:

- balance sheet accounts
    - asset accounts,
    - liability accounts, and
    - fund balance and reserve accounts;
- revenue and expense accounts
    - revenue accounts, and
    - expense (or cost) accounts; and
- budgetary accounts.

The general ledger accounts provide basic financial classifications for each accounting event or transaction and are supported by subsidiary ledger accounts when applicable (i.e., accounts payable and accounts receivable). The function accounts provide a further breakdown of accounting events by activity (e.g., preparation, serving, etc.). A function account is always used when an expense account is used and at no other time. Thus, it can be used to provide a detailed analysis of costs. The program accounts are used to provide a breakdown of accounting events by type of meal served; a program account is always used when a revenue and expense account is used. The location accounts identify accounting events and reports by individual schools and, consequently, do not have great significance to a single food service fund. However, if centralized accounting services are used, each transaction must be identified by a location account. Also, all reports to the school district must show location accounts.

Numbering of the accounts is merely a shorthand method of referring to them. Any numbering system for the chart of accounts is acceptable, provided that every school within the district (or state) uses the same numbers for the same accounts. The account numbers used in this chapter are for illustrative purposes only. However, their use in districts without numbering systems is encouraged. Definitions of the general ledger, function, and program accounts appear at the end of this chapter.

USE OF GENERAL LEDGER ACCOUNTS

The general ledger accounts shown in Figure V.1 are used to classify every accounting event (transaction). In double entry bookkeeping, each transaction must affect two or more accounts, and the debit amounts must equal the credit amounts. Each general ledger account is subdivided into a "D" subaccount (e.g., 1010D) and a "C" subaccount (e.g., 1010C) to identify debits and credits. All normal activity in these accounts is expressed in terms of increasing either the "D" or "C" subaccount.

Every transaction must increase "D" subaccounts in the same amount as "C" subaccounts. After all amounts have been transferred from journals to the general ledger, the total balances in "D" subaccounts are compared with the total of all "C" subaccounts. The two must be equal; this is the "trial balance" process. Once the subaccounts balance, individual general ledger account balances are developed by subtracting the "C" account total from the "D" account total for debit balance accounts and vice versa for credit balance accounts. The method of recording these transactions in the journals and ledgers is illustrated in Chapter I.

FIGURE V.1

GENERAL LEDGER ACCOUNTS

1000 - 2999 BALANCE SHEET ACCOUNTS

1000 - 1499 Assets Other Than Fixed (Debit balance, unless otherwise specified.)
- 1000 - 1099 Cash
  - 1000 Cash on Hand
  - 1010 Petty Cash
  - 1020 Cash in Bank, Checking
  - 1030 Cash Payroll, Checking
  - 1040 Cash in Bank, Savings
  - 1050 Cash, Sinking Fund Account
- 1100 - 1199 Receivables
  - 1110 Due from _____ Fund
  - 1130 Due from _____ Government
  - 1150 Accounts Receivable
- 1200 - 1299 Inventories
  - 1210 Inventory, Food
  - 1220 Inventory, Supplies
- 1300 - 1399 Prepaid Expenses (Examples only)
  - 1310 Prepaid Insurance
  - 1320 Prepaid Employee Benefits

1500 - 1599 Fixed Assets (Debit balance, unless otherwise specified.)
- 1510 Equipment
- 1520 Vehicles
- 1590 Accumulated Depreciation (Credit balance.)

1600 - 1699 Other Assets
- 1610 Ticket Value Account

2000 - 2099 Liabilities (Credit Balance) unless otherwise specified.)

2000 - 2099 Payables
- 2010 Accounts Payable
- 2015 Loans Payable
- 2020 Salaries Payable
- 2025 Employee Benefits Payable
- 2030 Annual Leave Liability
- 2035 Sick Leave Liability
- 2040 Taxes Payable
- 2045 Accrued Interest Payable
- 2050 Due to _____ Fund
- 2070 Due to _____ Government
- 2090 Other Payables

2600 - 2699 Other Liabilities
- 2610 Deferred Income

2700 - 2999 Reserves and Fund Balance (Credit balance, unless otherwise specified.)
- 2710 Fund Balance
- 2810 Reserve for Fixed Assets

3000 - 4999 REVENUE AND EXPENSE (OR OBJECT) ACCOUNTS

3000 - 3999 Revenue Accounts (Credit balance, unless otherwise specified.)

3000 - 3499 Revenue from Local Sources
- 3010 Sales to Pupils
- 3040 Sales to Adults
- 3110 Price Reduction for Reduced Price and Free Breakfasts (Debit balance.)
- 3115 Price Reduction for Reduced Price and Free Lunches (Debit balance.)
- 3210 Transfer from Other Funds
- 3410 Miscellaneous Revenue from Local Sources

3500 - 3699 Revenue from State Sources
- 3510 State Cash Reimbursement
- 3520 Other State Cash Payments
- 3610 Value of Donated Goods and Commodities Received from

4000 - 4999 Expense (or Cost) Accounts (Debit balance, unless otherwise specified.)

4000 - 4199 Salaries
- 4010 Regular Salaries
- 4020 Temporary Salaries
- 4030 Overtime Premium

4200 - 4299 Employee Benefits
- 4210 FiCA Taxes
- 4220 Unemployment Taxes
- 4230 Workmen's Compensation Insurance
- 4240 Life Insurance
- 4250 Hospitalization Insurance
- 4260 Retirement Contributions
- 4270 Holidays
- 4280 Annual Leave
- 4290 Sick Leave

4300 - 4499 Purchased Services

3000 - 3999 Revenue Accounts (Credit balance, unless otherwise specified.)

3000 - 3499 Revenue from Local Sources

3010 Sales to Pupils
3040 Sales to Adults
3110 Price Reduction for Reduced Price and Free Breakfasts (Debit balance.)
3115 Price Reduction for Reduced Price and Free Lunches (Debit balance.)
3210 Transfer from Other Funds
3410 Miscellaneous Revenue from Local Sources

3500 - 3699 Revenue from State Sources

3510 State Cash Reimbursement
3520 Other State Cash Payments
3610 Value of Donated Goods and Commodities Received from State Sources

3700 - 3999 Revenue from Federal Sources

3710 Federal Reimbursement
3810 Value of Donated Commodities Received from Federal Sources

4000 - 4999 Expense (or Cost) Accounts (Debit balance, unless otherwise specified.)

4000 - 4199 Salaries

4010 Regular Salaries
4020 Temporary Salaries
4030 Overtime Premium

4200 - 4299 Employee Benefits

4210 FICA Taxes
4220 Unemployment Taxes
4230 Workmen's Compensation Insurance
4240 Life Insurance
4250 Hospitalization Insurance
4260 Retirement Contributions
4270 Holidays
4280 Annual Leave
4290 Sick Leave

4300 - 4499 Purchased Services

4310 Laundry and Linen
4320 Trash Removal
4330 Extermination
4340 Accounting Services
4350 Computer Services
4360 Transportation Charges (Except Food)
4370 Travel and Training (Within State)
4380 Travel and Training (Out of State)
4390 Utilities
4395 Communication
4400 Repairs and Maintenance
4410 Professional and Technical Services
4420 Rentals
4430 Printing and Binding
4440 Miscellaneous

4500 - 4599 Supplies

4510 Lunch Room Supplies
4520 Custodial and Maintenance Supplies
4530 Office Supplies

4600 - 4699 Direct Food Costs

4610 Food - Meat, Poultry, Fish, and Eggs
4620 Food - Milk
4630 Food - Dairy Products (Other than Milk)
4640 Food - All Other
4650 USDA-Donated Commodities
4660 Donated Commodities (All Other)
4670 Food - Storage, Handling, and Transportation
4680 Food Processing Costs
4690 Food (Contracted Prepared Meals)

4700 - 4799 Equipment and Vehicle Expense

4710 Equipment Depreciation Cost (Federally Funded)
4715 Equipment Depreciation Cost (Non-Federally Funded)
4720 Vehicle Depreciation Cost (Federally Funded)
4725 Vehicle Depreciation Cost (Non-Federally Funded)

4800 - 4899 Other Expenses

4810 Miscellaneous Expenses
4910 Allocated Expenses from Other Funds

5000 - 5999 BUDGETARY ACCOUNTS[2]

5000 - 5499 Appropriations

5010 Appropriations Received
5020 Appropriations Balance

5500 - 5999 Encumbrances

5510 Encumbrances (Obligations)

[1] Definitions of the general ledger accounts appear elsewhere in this chapter.

[2] Appropriation and encumbrance accounting is to be used only under the direction of the school district central accounting office.

USE OF FUNCTION ACCOUNTS

Function accounts, shown in Figure V.2, are used to subdivide labor cost accounts by specific areas of cost responsibility. Therefore, a function account must be used to classify every transaction which affects a labor cost account (i.e., salaries, 4000-4199, and employee benefits, 4200-4299).

The function account and expense (or cost) account explain the nature of the expenditure transaction. The former defines why the expenditure was made, while the cost account defines what goods or services were procured with the expenditure. The subsidiary payroll ledger will be used to accumulate the results of both aspects of these accounting events.

The payroll ledger will be maintained using cost (object) accounts as major headings and the function (as well as program) accounts as minor headings. In this way, reports can be easily prepared showing the total labor costs of all functions. The accumulation of costs by functions will require the relatively arbitrary assignment of certain function codes to keep the accounting system simple. For example, personnel should be assigned to single functions, if possible, or split between two functions in predetermined percentages (e.g., shipping and receiving clerks at inventory locations might be considered to be 50 percent in the receiving/storing function and 50 percent in the delivery function).

Employee benefit costs should be assigned to the various functions in the same percentages as personnel are assigned.

For small school food service funds which have few employees, the six function codes may be consolidated into three. In these cases, an individual employee's time will not have to be subdivided into function accounts.

FIGURE V.2

FUNCTION ACCOUNTS

Detailed Function Accounts		Alternate Function Accounts Of Less Detail	
10	Purchasing	10	Purchasing/Receiving/Storing/ Delivery
20	Receiving/Storing	20	Preparation/Serving
30	Delivery	30	Administration
40	Preparation		
50	Serving		
60	Administration		

USE OF PROGRAM ACCOUNTS

Program accounts are used to subdivide local source revenue accounts in the same way that function accounts are used to subdivide costs. The primary program categories identify the type of meal served to assist in determining federal and state reimbursements.

Each time a transaction affects a revenue account, a program account must also be used. The subsidiary revenue ledger will accumulate each revenue account separately and will accumulate revenues generated by each program within each revenue account. If used, the special functions program account should be subdivided to identify all special functions separately. Since some revenues are not assignable to any particular meal type, a special miscellaneous revenue program account is included for use only when it is impossible to assign revenues to other accounts. Figure V.3 lists the six program accounts.

FIGURE V.3

PROGRAM ACCOUNTS

1	Breakfast
2	Type A Lunch
3	Special Milk Program
4	A la Carte
5	Special Function
6	Miscellaneous Revenue

USE OF LOCATION ACCOUNTS

Location codes identify a particular location within a food service fund involved in any transaction. Only in this way can school districts associate assets, liabilities, revenues, and costs with a particular school. Each administrative or service unit office also should be assigned a location code. All costs accumulated under these central location codes should be allocated to the various cafeteria locations according to the guidelines presented in Chapter IV. The coding structure shown in Figure V.4 is illustrative only.

FIGURE V.4

LOCATION ACCOUNTS

0001 - 0999	CENTRAL LOCATIONS
0001	Central Food Warehouse
0002	General Administration Unit
1000 - 4999	ELEMENTARY SCHOOLS
1010	Franklin School
1020	Greenwood School
1030	Hoyt School
5000 - 6999	JUNIOR HIGH SCHOOLS
5010	Belltown Junior High School
5020	Westover Junior High School
7000 - 7999	HIGH SCHOOLS
7010	Lincoln High School
7020	Washington High School
8000 - 9999	VOCATIONAL AND TECHNICAL SCHOOLS
8010	Wright Technical School

DEFINITIONS OF GENERAL LEDGER ACCOUNTS

DEFINITIONS OF FUNCTION ACCOUNTS

DEFINITIONS OF PROGRAM ACCOUNTS

DEFINITIONS OF GENERAL LEDGER ACCOUNTS

1000 - 1499 ASSETS, OTHER THAN FIXED

1000 - 1099 Cash

1000 Cash On Hand - The balance of undeposited cash receipts.
Increase 1000D for undeposited cash receipts and other adjustments.
Increase 1000C for cash receipts deposited and other reductions.

1010 Petty Cash - The cash set aside for making small cash purchases and for providing cash register change. This amount should remain constant over long periods of time.
Increase 1030D for permanent additions to the change fund.
Increase 1030C for permanent reductions to the change fund.

1020 Cash in Bank, Checking - The current balance in the fund's checking accounts, plus deposits in transit.
Increase 1010D for all deposits and other additions.
Increase 1010C for all checks drawn, service charged, and other reductions.

1030 Cash, Payroll Checking - This special account is established for checks drawn in payment of payroll liabilities.
Increase 1030D by the amount of periodic payroll charges evidenced by payroll transfer deposits from account 1020 (Cash in Bank, Checking) and other adjustments.
Increase 1030C by the amount of payroll checks issued, payroll taxes and liabilities paid, and other authorized adjustments.

1040 Cash in Bank, Savings - The current cash balance in accounts other than the checking and sinking fund cash accounts, plus deposits in transit.
Increase 1020D for deposits and interest added.
Increase 1020C for withdrawals.

1050 Cash, Sinking Fund Account - The current balance of cash on hand or on deposit with any agent which is designated for the future purchase of specific fixed assets.
Increase 1040D for deposits and interest received.
Increase 1040C for withdrawals.

1100 - 1199 Receivables

1110 Due From _____ Fund - The amount owed the food service fund by another fund within the school system. Separate accounts for amounts due from each fund are recommended.
Increase 1110D when amounts from other funds become due (earned).
Increase 1110C when owed amounts are paid or liquidated.

1130 Due From _____ Government - The amount owed the food service fund by other governmental units. These amounts may represent grants, charges for services rendered, etc. Separate accounts for amounts due from each governmental unit are recommended.
Increase 1130D when amounts from other governmental units become due (earned).
Increase 1130C when owed amounts are paid.

1150 Accounts Receivable - Amounts owed to the food service fund from individuals, and organizations, other than other funds and governmental units.
Increase 1150D when amounts become due (earned).
Increase 1150C when owed amounts are paid.

1200 - 1299 Inventories

1210 Inventory, Food - The cost of food on hand (whether or not it has been paid for), including the normal market cost of donated food or food purchased at a reduced price.
Increase 1210D for increases in inventory.
Increase 1210C for decreases in inventory.

1220 Inventory, Supplies - The cost of supplies on hand (whether or not they have been paid for). Supplies are primarily cleaning materials, such as soap, sponges, mop heads, etc. Items such as trays, silverware, and food preparation utensils are set up as a one-time inventory. The value and replacement of supplies is considered an expense.
Increase 1210D for increases in supplies.
Increase 1210C for decreases in supplies.

1300 - 1399 Prepaid Expenses

1310 Prepaid Insurance - Insurance premiums paid in advance. Normally, one- or three-year policies are purchased, and they are paid for at the time of purchase.
Increase 1310D when insurance premiums are paid in advance.
Increase 1310C each month for a prorated share of the elapsed insurance premium.

1320 Prepaid Employee Benefits - Amounts paid for employee benefits, such as pension plans, hospitalization insurance, etc., prior to incurring the expenses.
Increase 1320D when amounts are paid in advance.
Increase 1320C each pay period for amount withheld from employee pay.

1500 - 1599 FIXED ASSETS

1510 Equipment - The cost of all equipment (stoves, dishwashers, steamtables, etc.). Items with a small initial cost are not to be included in equipment but are to be treated either as an inventory (supply) item or as an expenditure.
Increase 1510D when equipment is received. Use the total cost of the equipment, including transportation and installation charges.
Increase 1510C when a piece of equipment is disposed of. Use the total initial cost of the equipment.

1520 Vehicles - The cost of all motor vehicles owned by the food service fund.
Increase 1520D when a motor vehicle is purchased.
Increase 1520C for the cost of the motor vehicle when it is sold or otherwise disposed of.

1590 Accumulated Depreciation - A credit balance account in which a portion of the value of fixed assets is accumulated to represent the use, or loss of value, of the assets.
Increase 1590D for the amount of reversals and adjustments to the depreciation of an asset or group of assets.
Increase 1590C for the amount of accumulated depreciation charged against a specific piece of equipment representing the value used or otherwise disposed of or adjusted.

1600 - 1699 OTHER ASSETS

1610 Ticket Value Account - The full sales value of cafeteria tickets on hand in the school or district office. The account is always offset by the deferred income account.
Increase 1610D when tickets are received from the printer.
Increase 1610C when tickets are sold or disposed of.

2000 - 2699 LIABILITIES (Debit to Decrease, Credit to Increase)

2000 - 2099 Payables

2010 Accounts Payable - Balances due (other than salaries and taxes) to individuals and organizations (other than other funds and governmental units) for goods and services received but not yet paid for.
Increase 2010D when amounts owed are paid.
Increase 2010C when goods and services are received in advance of payment.

2015 Loans Payable - Balance of outstanding loans due to others.
Increase 2015D when loans are repaid.
Increase 2015C when funds are borrowed.

2020 Salaries Payable - Amounts due for wages and salaries not yet paid.
Increase 2020D when wages and salaries are paid.
Increase 2020C when, at the end of an accounting period or pay period, employees have earned wages and salaries but have not yet been paid.

2025 Employee Benefits Payable - Balances due to other governmental units or to business organizations for amounts collected from employees or contributed by the employer (food service fund) for employee benefits, such as hospitalization and life insurance, FICA, withholding taxes, etc.
Increase 2025D when balances due are paid.
Increase 2025C when amounts become due.

2030 Annual Leave Liability - The dollar value of annual leave earned by employees but not yet paid. This liability is intended for personal leave days allowed and accumulated (per school policy) and does not include the liability for summer recesses.
Increase 2030D at the beginning of each year to reverse out the previous year-end liability.
Increase 2030C at the end of each year to reflect annual leave liability.

2035 Sick Leave Liability - The dollar value of sick leave earned by employees but not yet paid. This account should be used only when sick leave can be carried forward from one year to the next.
Increase 2035D at the beginning of each year to reverse out the previous year-end liability.
Increase 2035C at the end of each year to reflect sick leave liability.

2040 Taxes Payable - Balances due to all governmental units for taxes due but not yet paid. These taxes might include sales taxes, FICA taxes, withholding taxes, etc.
Increase 2040D when amounts due are paid.
Icrease 2040C when taxes become due but are not paid.

2045 Accrued Interest Payable - The balance of interest on loans due to others. This account is maintained on an accrual basis and is maintained only if loan payments are made less frequently than monthly.
Increase 2045D when interest payments are made.
Increase 2045C on a monthly basis to reflect interest payable.

2050 Due to _____ Fund - The amount owed by the food service fund to another specific fund within the school system. Separate accounts for amounts due to each fund are recommended.
Increase 2050D when owed amounts are paid.
Increase 2050C when goods and services are received but not paid for.

2070 Due to _____ Government - The amount owed by the food service fund to another governmental unit. Separate accounts due to each governmental unit are recommended.
Increase 2070D when amounts owed are paid.
Increase 2070C when goods and services are received but not paid for.

2090 Other Payables - All other current liabilities.
Increase 2090D when liability is reduced by payment or otherwise.
Increase 2090C when liability is incurred.

2600 - 2699 Other Liabilities

2610 Deferred Income - The full sales value of tickets, either on hand or already sold, for which no meals have yet been served. It is offset by the ticket value account.
Increase 2610D when meals are sold for tickets.
Increase 2610C when tickets are received in the school or district office.

2700 - 2799 RESERVES AND FUND BALANCE

2710 Fund Balance - The difference between total assets and total liabilities, minus the reserve for fixed assets.
Increase 2710D when closing the expense accounts at the end of an accounting period.

Increase 2710C when closing the revenue (cost accounts at the end of an accounting period.

2810 Reserve for Fixed Assets - Represents that portion of the fund balance reserved for the future procurement of fixed assets. This account should have the same balance as the sinking fund account (1050).
Increase 2810D when increasing account 1050C.
Increase 2810C when increasing account 1050D.

3000 - 3999 REVENUE ACCOUNTS

When revenue is earned, regardless of when payment is received, 3000C is increased. Revenue is earned when meals are served, whether paid in cash at the time of purchase, charged, or paid for in advance. When closing an account to "fund balance" at the end of the accounting period, 3000D is increased.

3000 - 3499 Revenue From Local Sources

3010 Sales to Pupils - The value of meals served to pupils during the accounting period.

3040 Sales to Adults - The value of meals served to adults during the accounting period.

3110 Price Reduction for Reduced Price and Free Breakfasts - A debit balance account representing the value of reductions in price on reduced price breakfasts to pupils served during the accounting period. An account is used for each category of price reduction. Free breakfasts are assigned to a category, and the reduction is the full amount of the pupil breakfast price.

3115 Price Reduction for Reduced Price and Free Lunches - A debit balance account representing the value of reductions in price on reduced price lunches to pupils served during the accounting period. An account is used for each category of price reduction. Free lunches are assigned to a category, and the reduction is the full amount of the pupil lunch price.

3210 Transfer from Other Funds - The amounts which other funds are required to transfer to the food service fund during the accounting period; this includes only those funds from local sources which can be allowed for food service program purposes. There should be a separate account for each fund. This account should not include amounts that are prepayable.

3410 Miscellaneous Revenue from Local Sources - This account includes the value of donated goods and services from local sources.

3500 - 3699 Revenue From State Sources

3510 State Cash Reimbursement - The amount of state funds earned during the accounting period which can be included as part of the state matching of federal funds requirement and also may be included in meeting the state revenue matching requirement.

3520 Other State Cash Payments - Cash funds received from the state (for labor, equipment, etc.). It excludes funds for building, alteration of buildings, and acquisition or rental of land or buildings.

3610 Value of Donated Goods and Commodities Received From State Sources - The value of goods and commodities donated to the food service fund during the accounting period. This account should be included as part of state matching and funds used requirements.

3700 - 3999 Revenue from Federal Sources

3710 Federal Reimbursement - The amount of federal reimbursement earned during the accounting period.

3810 Value of Donated Commodities Received from Federal Sources - The market value of all commodities donated to the food service fund during the period. Freight and acquisition costs should be charged to account 4670.

4000 - 4999 EXPENSE (OR COST) ACCOUNTS

When a cost is incurred, regardless of when it is paid, 4000D is increased.
When closing the cost account to fund balance at the end of an accounting period, 4000C is increased.

4000 - 4199 Salaries

4010 Regular Salaries - The amount earned by full-time employees for regular hours worked during the accounting period.

4020 Temporary Salaries - The amount earned by temporary employees during regular hours of the accounting period.

4030 Overtime Premium - The amount of overtime premium earned by employees during the accounting period. This should include only the premium portion of amounts earned for work beyond regular hours. The straight time portion should be charged to account 4010.

4200 - 4299 Employee Benefits

4210 FICA Taxes - The employer's (food service fund's) share of FICA taxes payable or paid during the accounting period.

4220 Unemployment Taxes - State and local unemployment taxes paid or payable during the accounting period.

4230 Workmen's Compensation Insurance - Workmen's compensation insurance paid or payable during the accounting period.

4240 Life Insurance - The employer's (food service fund's) share of life insurance premiums paid or payable during the period.

4250 Hospitalization Insurance - The employer's (food service fund's) share of hospitalization insurance paid or payable during the accounting period.

4260 Retirement Contributions - The employer's (food service fund's) contributions to a retirement fund paid or payable during the accounting period.

4270 Holidays - The gross amount of holiday pay paid or payable during the accounting period. When holiday pay is incurred, increase account 4270D. Do not include the holiday pay amount in the increase to account 4010D, because holiday pay is not part of regular salaries.

4280 Annual Leave - The gross amount of annual (or personal) leave pay paid or payable during the accounting period. Do not include leave pay in regular pay. Do not use this account for pay for summer or other recesses.

4290 Sick Leave - The gross amount of sick leave pay paid or payable during the accounting period. Do not include sick leave pay in regular pay.

4300 - 4499 Purchased Services

4310 Laundry and Linen - The cost of all laundry and linen services incurred during the accounting period, including replacement linen.

4320 Trash Removal - The cost of trash removal services incurred during the accounting period.

4330 Extermination - The cost of extermination services incurred during the accounting period.

4340 Accounting Services - The pro rata share of central accounting services costs incurred during the accounting period.

4350 Computer Services - The pro rata share of central computer services or service bureau costs incurred during the accounting period.

4360 Transportation Charges - The cost of local transportation incurred by the food service fund during the accounting period. Local transportation includes charges for transporting material and supplies from a central inventory to the school and local mileage or cab fares for personnel on business. It does not include freight charges for commodities and equipment because such costs should be listed as a food cost in account 4670. If the school service fund owns or leases vehicles, their operations and maintenance are considered transporcation charges.

4370 Travel and Training (Within State) - The costs of training offered within the state and all other non-local travel within the state incurred during the accounting period.

4380 Travel and Training (Out-of-State) - The cost of all out-of-state training and travel incurred during the accounting period.

4390 Utilities - The cost of utilities (gas, electricity, oil, and telephone) during the accounting period. Frequently, these expenses are paid in advance. In such cases, the payment for future accounting periods should increase amount 1310D, prepaid expenses. When the current period cost has been paid in advance, the expense is reflected by increasing utilities expenses and decreasing the prepaid expense balance.

4395 Communications - The cost of newspaper advertisements purchased to publicize legal bids.

4400 Repairs and Maintenance - The cost of ordinary repairs and maintenance to facilities and equipment incurred during the accounting period. Large single repairs (above a value based on local policy) should be used to increase account 1510D, equipment, or 1520D, vehicles, rather than 4400D.

4410 Professional and Technical Services - The cost of contractual services (e.g., security custodial services, professional food management services, auditors, etc.) incurred during the accounting period. In no case does this account include the cost of employees on the school food service fund payroll.

4420 Rentals - The cost of Renting all items of equipment (but not space) incurred during the accounting period. Items that can logically be charged to other accounts should not be charged to this account.

4430 Printing and Binding - The cost of all printing, binding, and other reproduction expense incurred during the accounting period. Pro rata shares of copying machine rentals should be charged to this account.

4400 Miscellaneous - The cost of all other purchased services, which are not separately classified, incurred during the accounting period.

4500 - 4599 Supplies

4510 Lunch Room Supplies (other than food) - The cost of lunch room supplies (trays, silverware, food preparation and packaging supplies, paperware, etc.) used during the accounting period.

4520 Custodial and Maintenance Supplies - The cost of custodial and maintenance supplies (soap, mopheads, etc.) used during the accounting period.

4530 Office Supplies - The cost of office supplies (paper, pens, etc.) used during the accounting period.

4600 - 4699 Food

4610 Food - Meat, Poultry, Fish, and Eggs - The value of meat, poultry, fish, and eggs used during the accounting period, not including the cost of storage, handling, and transportation.

4620 Food - Milk - The value of milk used during the accounting period, not including the cost of storage, handling, and transportation.

4630 Food - Dairy Products (Other Than Milk) - The value of dairy products (cheese, ice cream, etc.) used during the accounting period, not inlcuding the cost of storage, handling, and transportation.

4640 Food (All Other) - The cost of food items, such as canned goods, produce, etc., used during the accounting period, not including the cost of storage, handling, and transportation.

4650 USDA-Donated Commodities - The market value of USDA commodities used during the accounting period. When the school service fund receives such commodities free, their value is also used to increase the value of donated commodities received.

4660 Donated Commodities (All Other) - The market value of donated commodities used during the accounting period.

4670 Food - Storage Handling and Delivery - The cost incurred during the accounting period billed to the school food service fund for storage, handling, and delivery of food to the school food service.

4680 Food (Food Processing Costs) - The cost of processing or preparing food for the school food service fund by another enterprise during the accounting period.

4690 Food (Contracted Prepared Meals) - The cost of ready-to-serve meals or convenience food meals, usually prepared by outside sources.

4700 - 4799 Equipment and Vehicle Expense

4710 Equipment Depreciation Cost (Federally Funded) - The depreciation charged to equipment during the accounting period from funds provided by the Federal Government.

4715 Equipment Depreciation Cost (Non-federally Funded) - The depreciation charged to equipment during the accounting period from funds provided by sources other than the Federal Government.

4720 Vehicle Depreciation Cost (Federally Funded) - The depreciation charged to motor vehicles during the accounting period from funds provided by the Federal Government.

4725 Vehicle Depreciation Cost (Non-federally Funded) - The depreciation charged to motor vehicles during the accounting period from funds provided by sources other than the Federal Government.

4800 - 4999 Other Expenses

4810 Miscellaneous Expense - All other expense not recorded above, including the cost of dues and fees incurred during the accounting period. Dues and fees include memberships in professional societies, clubs, etc.

4910 Allocated Expenses from Other Funds - Certain indirect expenses (such as general administration, general maintenance of cafeteria facilities, etc.) may be allocated to the food service fund. Separate cost accounts should be maintained for each category of allocated expense.

5010 - 5999 APPROPRIATIONS

5010 Appropriations Received - An account used to reflect amounts received by appropriation.

5020 Appropriations - A budgetary account showing the amounts of money made available for expenditures by the school food service fund for a particular period of time. As a result of the entries made, this account always will reflect the net amount of the appropriation available.

5500 - 5999 ENCUMBRANCES

5030 Encumbrances (obligations) - The total amount of appropriated funds already expended, plus amounts reserved for expenditures.

DEFINITIONS OF FUNCTION ACCOUNTS

10 Purchasing - The purchasing function consists of those activities required to place orders for all food, supplies, and equipment. It does not include the receipt and storage of food and supplies or the costs of processing and paying vendor invoices.

20 Receiving/Storing - The receiving/storing function consists of all activities and costs associated with the receipt of purchased and donated goods and supplies and their storage prior to withdrawal from inventory.

30 Delivery - The delivery function includes the cost of delivering food and supplies from an inventory location to the individual school. The cost of delivery of prepared meals is included in preparation.

40 Preparation - The preparation function consists of all activities and costs associated with the preparation of meals, including personnel costs, food costs, meal preparation supplies, and cleanup costs.

50 Serving - The serving function includes all activities and costs associated with serving meals, including lunch room supply costs, personnel costs, and cleanup costs.

60 Administration - The administration function includes all general administration, including such items as accounting services, computer services, costs of personnel administration, and other such items.

In small school food service funds with only a few employees, the purchasing, receiving/storing, and delivery accounts may be combined into a single function account, and the preparation and serving accounts may be combined into another single account.

DEFINITIONS OF PROGRAM ACCOUNTS

1 Breakfast - The breakfast program is used to account for all sales, price reductions, and reimbursements assignable to breakfasts as defined in paragraph 220.8 of the National School Breakfast Program Regulations.

2 Type A Lunch - The type A lunch program is used to account for all sales, price reductions, and reimbursements assignable to type A lunches as defined in paragraph 210.10 of the National School Lunch Program Regulations.

3 Special Milk Program - The special milk program account is used to accumulate all sales, price reductions, and reimbursements assignable to the special milk program, including type C lunches.

4 A la Carte - The a la carte program is used to account for all regular sales, price reductions, and cash payments, not included in program accounts 1, 2, or 3.

5 Special Function - The special function program is used to account for all sales, price reductions, and cash payments resulting from special functions. Separate subaccounts should be used to account for different functions.

6 Miscellaneous Revenue - The miscellaneous revenue program account is used to accumulate all revenue that cannot be assigned to any of the other program accounts. An example of such revenue would be a lump sum payment from local sources made without regard to meals served.

Figure V.5 shows how program accounts are used with revenue object (general ledger) accounts. This figure delineates the account combinations which would be most commonly used in recording revenues and which account combinations are necessary in reimbursement reporting for state matching requirements and for state revenue matching requirements.

FIGURE V.5

GENERAL LEDGER-PROGRAM ACCOUNT TABLE

OBJECT ACCOUNT	BREAK-FAST	SPECIAL MILK	LUNCH	A LA CARTE	SPECIAL FUNCTIONS	MISC. REVENUE
3010 Sales to Pupils	X	X	X	X	X	
3110-3119 Price Reduction	X	X	X			
3040 Sales to Adults	X	X	X	X	X	X
3210 Transfers	X	X	X			
3510 State Cash Reimbursement	X	X	X			
3520 Other State Cash Payments						X
3610 State Donations			X			
3710 Federal Reimbursement	X	X	X			
3810 Federal Commodities Donated						X

X - Commonly Used Account Combination.

CHAPTER VI

SCHOOL FOOD SERVICE REVENUE ACCOUNTING

INTRODUCTION

This chapter describes the processing and recording of cash receipt, accounts receivable, and revenue transactions. Recommended procedures for handling cash (receipts), including bank depositing and petty cash procedures, also will be covered in this chapter. Two types of revenue transactions at school locations will be discussed: those which are generated from the sales of meals (both cash sales and ticket sales); and those which are generated from reimbursements from other funds and from the State and Federal Governments.

The following aspects of each type of transaction are discussed:

- a brief statement of the financial policies governing the transaction;
- a description of the applicable source documents;
- a description of the processing flow; and
- an explanation of the required accounting entries.

The following position classifications are used to designate responsibilities for particular tasks within the processing flow:

- school lunch manager - the person directly responsible for managing the school cafeteria or service unit at the school location;
- cashier - the person responsible for the day-to-day collection of cash receipts from students or other persons being served meals at the school location;
- clerks - the person assisting in tabulating or recording daily accounting transactions. (Depending upon the size of a school district, clerks may be located centrally in a district office or at the school location. This person may also function as a secretary in the school office); and
- accountant - the person responsible for recording accounting transactions in the various accounting journals and ledgers (he also may be responsible for the preparation and analysis of food service financial reports).

In small school districts with only a few personnel, a single individual may have to perform two or more of the above functions.

RECOGNITION OF REVENUE FROM SALE OF MEALS

Policy

As a check or cash is received, it is recorded in the cash receipts journal where it is identified by type of sale and type of meal sold (e.g., sales to pupils, type A lunch; sales to pupils, breakfasts; sales to adults, a la carte; etc.). All cash receipts (including checks) should then be deposited in a special bank account which is designated as the district's school food service bank account. Cash receipts from all schools should be deposited on the day they are collected. This procedure provides fiscal control of expenditures and aids in program analysis and management.

In each district, the district school lunch director should determine whether the daily receipts from each school are to be brought to the district office to be consolidated into one daily deposit or are to be taken to the bank directly from each school. In each case, the decision must be based on local conditions, efficiency, security of the money, and safety of the person(s) transporting the money. Deposits should be made using standard bank deposit slips according to local policy.

Source Documents

Sales revenue transactions involve the following source documents:

- deposit slip;
- cash receipts and participation report (for payments made for cash sales); and
- ticket receipts and participation report (for ticket sales).

Sample forms, with specifications for completing them, are contained in the appendixes.

Processing Flow for Cash Sales

The cashier collects cash from the pupils and adults in the service line and codes the type of meal served by cash register keying or tally sheet. He counts the cash by denomination at the end of the working day and separates the change bank from the cash receipts. He completes the cash receipts and participation report and signs it (see the example of the form in Appendix A).

The school lunch manager reads the closing and opening register readings (if the cash register is used) and completes the cash register reconciliation section of the cash receipts and participation report. He signs the cash receipts and participation report and authorizes the cashier to complete a deposit slip.

The cashier completes the deposit slip and delivers the cash to the bank. The cashier retains a copy of the deposit slip which is attached to the cash receipts and participation report. One copy of the cash receipts and participation report is retained at the school location. The original report and the deposit slip are forwarded to the district accounting office.

The clerk receives the cash receipt and participation report (as well as the ticket receipts and participation report) along with the deposit slip at the district account office. Each day, he records the cash received in the cash receipts journal (see Appendix D for an example of this form) and enters the information contained in the cash receipts and participation report on the reimbursement voucher worksheet (see Appendix B for an example of this form). The clerk totals the columns in the cash receipt journal at the end of each month to prepare for adjusting and closing entries and also totals the entries on the cash receipts and participation report.

The accountant prepares, or directly supervises, the preparation of general ledger account entries, including adjusting and closing entries at the end of the accounting period.

Illustrative Accounting Entries for Cash Sales

Reporting and Recording Cash Sales. Payments received by the school district from pupils and adults are recorded according to a gross price procedure. This procedure consists of recording revenues

at their full sales value and subsequently accounting for free or reduced price meals by recording the amount of the reduction. This procedure of accounting for cash sales is recommended because it provides a means of checking and reconciling sales to reimbursement amounts claimed for meals from the State and Federal Governments. In addition, the transaction establishes the full amount of revenue earned by food service operations. This is important for both control at the point of sale (meal counts) and later for evaluating operational efficiency (ratio of labor and food costs to total sales).

For example, assume that 1,000 type A lunches are served to pupils during a lunch period, accordingly:

450 lunches @ $.50 =	$225.00
150 reduced price lunches @ $.10 =	$ 15.00
100 reduced price lunches @ $.15 =	$ 15.00
300 free lunches =	0
Cash received	$255.00

The above transaction would be reflected in the cash receipts and participation report accordingly:

Sales

	1,000 lunches at full price ($.50 each) =	$500.00	
Less:	150 lunches at a price reduction of $.40 =	$ 60.00	
	100 lunches at a price reduction of $.35 =	$ 35.000	
	300 lunches at a price reduction of $.50 -	$150.00	
			$245.00
Equals:	Net Sales (cash received)		$255.00

In other words, $500 "worth" of revenue was generated, but only $255.00 was actually collected because of the reduced price and free lunches served. When relating costs to sales, the gross sales revenue ($500)--not the net sales generated from the "mix" of full price, free, and reduced price lunches--is important for making comparisons and evaluations. This procedure should be followed for all types of meals where reduced price and free meals are offered.

Journal Entries. The totals entered in the cash receipts and participation report (Appendix A) are entered each day in the cash receipts journal. The journal entry for the above example would be:

DR	cash in bank (account 1010D)	$255.00	
DR	price reductions (account 3110D)	245.00	
CR	sales to pupils (account 3010C)		$500.00

Appendix D details the individual entries to be made to this journal and contains sample entries.

Processing Flow for Ticket Sales

The clerk sells lunch tickets to pupils and adults in a period prior to meal service. Tickets may be sold on a daily, weekly, or monthly advance basis. He records the sales in a ticket receipts and participation report (illustrated in Appendix C). He then submits the cash and the report to the cashier.

The cashier collects the tickets as meals are served. He records program participation and a la carte sales on the cash receipts and participation report (Appendix A) and reconciles the cash received to the sales record.

The school lunch manager reviews the ticket receipts and participation report. He checks the cash received for tickets and the ticket counts. He signs the report and authorizes the cashier to complete a deposit slip.

The cashier completes a deposit slip. He delivers the cash to the bank, retaining a copy of the deposit slip which is attached to the ticket receipts and participation report. One copy of the report is retained at the school location. The original ticket receipt and participation report (as well as the cash receipts and participation report) and the deposit slip are forwarded to the district accounting office.

The clerk receives both the cash receipts and ticket receipts participation reports and the deposit slip. He records the cash received in the cash receipts journal (Appendix D) each day as cash is received. He enters the ticket receipts and participation information on the reimbursement voucher worksheet (Appendix B). He totals the columns in the ticket receipts journal and reimbursement voucher worksheet at the end of each month.

The accountant prepares, or directly supervises, the preparation of general ledger posting entries, including adjusting and closing entries.

Illustrative Accounting Entries for Ticket Sales

Two techniques for controlling prepaid meal transactions are available to school food service management personnel. These techniques are the use of prenumbered meal tickets and the establishment of a ticket value control account. Appendix C contains an explanation and sample form for accounting by prenumbered tickets. The following example describes general ledger accounting entries utilizing a ticket value control account.

Assume that tickets valued at $5,000 are on hand in the school office. These tickets will be sold to pupils and adults for meals.

The following account entries are made in the general ledger to establish the ticket value account:

DR	ticket value account (account 1610D)	$5,000	
CR	deferred income (account 2610C)		$5,000

The school office secretary sells $500 worth of tickets on the first day of the month. Cash received for these tickets is $375, because there was a total price reduction of $125 for free and reduced price tickets sold. Therefore, the following entries are made:

DR	cash (account 1010D)	$375	
DR	price reduction (account 3110D)	$125	
CR	ticket value account (account 1610C)		$500

On the same day, tickets for meals are collected in the cafeteria service line by the cashier. The total value of these tickets is $450 (not all of the tickets sold were collected). The entry to be made is as follows:

DR	deferred income (account 2610D)	$450	
CR	sales to pupils (account 3010C)		$450

If it is a school district's policy to refund unused tickets, the entry shown below is made as refunds are given. If the total valuation of tickets refunded was $25 and $20 cash was actually refunded, then the following entry is made:

DR	ticket value account (account 1610D)	$25	
CR	cash in bank (account 1010D)		$20
CR	price reduction (account 3110D)		$ 5

If tickets are lost, the following entry is made:

DR	deferred income account (account 2610D)	$ 15	
CR	ticket value account (account 1610C)		$15

Many school food service funds have both cash and ticket sales; in such cases, both of the above systems (as illustrated in Appendices A, C, and D) are used.

RECOGNITION AND LIQUIDATION OF RECEIVABLES

Policy

When a reimbursement claim is filed (usually at the end of the month), both a receivable (an amount due to the fund) and revenue are recorded. When cash is received, the receivable is liquidated (reduced). Both types of transactions are recorded in the cash receipts journal.

Source Document

The only source document involved in the recognition and liquidation of receivables is a copy of the reimbursement claim form.

Processing Flow for Recognition and Liquidation of Receivables

The accountant receives a copy of the reimbursement claim sent to the state. He records details of a receivable in the cash receipts journal and subsequently in the general ledger. He files a copy of the claim in the unpaid receivables file. Upon receipt of cash, the accountant pulls the filed claim copy and makes an entry in the cash receipts journal. He deposits the check with other cash receipts and marks the claim "Paid, Check No. ____" and files it in the paid receivables file

Accounting Entries for Recognition and Liquidation of Receivables

The accounting entries for recording the recognition and liquidation of receivables are entered on journal vouchers (illustrated in Appendix E) which contain the following data:

- journal voucher number;
- date of entry;
- the entry itself; and
- the explanation of the entry.

The entry for the recognition of a receivable is illustrated by the example shown below. If $1,500 is due from the Federal Government as a result of submitting a claim for reimbursement from the school district, then the following entry is made:

	Entry	Account Number	Amount	
DR	due from Federal Government	1130D	$1,500	
CR	federal reimbursement	3710C		$1,500

The entry for the liquidation of the receivable is as follows:

	Entry	Account Number	Amount	
DR	cash	1010D	$1,500	
CR	due from Federal Government	1130C		$1,500

Posting to the General and Revenue Ledgers

Immediately after the end of each month, the totals of each of the columns in the cash receipts journal are entered toward the bottom of the respective columns. The amounts appearing in these summaries are posted to the general ledger and revenue ledger accounts according to the posting instructions which appear in Appendices F and G. Entries in a column which are in parentheses are posted as negative amounts.

After amounts from the cash receipts journal are posted, unposted journal vouchers appearing in the general journal are posted to the general ledger accounts.

As amounts are posted from the journals, a check mark is entered beside the amounts in the summary section of the journal, and the source of the amount is entered in the general ledger account using the abbreviation CRJ to indicate the cash receipts journal or GJ to indicate the general journal.

Closing Entries

At the end of the fiscal year, certain entries are recorded on journal vouchers to close the accounts for the year and set up the accounts for the next year. In general, the process involves an entry to reverse the balances in each of the revenue accounts and an offsetting entry to debit or credit the general ledger fund balance accounts. The balances in the revenue accounts (increase 3000D - 3999D) are closed to the fund balance (increase 2710C). The closing entries described above are illustrated as follow:

Entry		Account Numbers	Amount	
DR	revenues	3000D through 3999D	$100	
CR	fund balance	2710C		$100

Although closing entries are recorded in the books only after the end of the fiscal year, the same entries are used on work papers to construct interim financial statements at the end of each month.

SAMPLE TRANSACTIONS

Sample transactions, similiar to those discussed in this chapter, are shown in Appendices A through G.

Appendix A shows a sample cash receipts and participation report for Greenwood School in which 1,700 type A lunches and 400 breakfasts were served. All the breakfasts and 700 lunches were purchased with tickets. Three meals were given to student employees. A total of $254.95 was received, $.05 less than should have been received. Therefore, the change bank for the following day will be only $9.95, and $255.00 will be deposited in the bank account.

Appendix B shows the number of meals served.

Appendix C shows the sale of 800 tickets for type A lunches and 400 tickets for breakfasts. Since some of the tickets were for free meals, a total of $375.00 was received.

Appendix D shows the cash receipts journal entries for both cash and ticket sales for September 1. In addition, the following transactions are shown:

- payment of $20.00 in refunds for $25.00 worth of type A lunch tickets;
- receipt of $250.00 as state reimbursement from the prior month;

- receipt of $80.00 as federal reimbursement from the prior month;

- sale of $300.00 in meals for a Parent Teacher Association (PTA) dinner, with the amount to be paid later;

- filing a $260.00 state reimbursement claim for the current month;

- filing a $85.00 federal reimbursement claim for the current month; and

- receipt of $300.00 payment for the PTA dinner.

Appendix E shows a sample journal voucher prepared to record the employee meals shown in the cash receipts and participation report which is shown in Appendix A.

Appendix F shows the general ledger postings for the cash in bank account (1010) from the cash receipts journal (Appendix D) and also an entry from the purchase journal (not shown).

Appendix G shows the revenue ledger postings from the cash receipts journal for sales to pupils (account 3010).

CHAPTER VII

PAYROLL PROCEDURES

INTRODUCTION

This chapter describes the processing and recording of payroll and payroll-related transactions. The following aspects of these transactions will be discussed:

- documents used;
- processing flow;
- use of the time and attendance record;
- payroll journal entries;
- employee payroll record completion; and
- general ledger posting.

Since most school districts process food service payroll transactions with other funds, certain payroll procedures, such as employee payroll record maintenance and payroll check disbursement, must meet the requirements of all the district's funds. Certain elements of the school's payroll system also must meet the food service operation's requirements for obtaining meaningful labor cost information. Particularly important is the food service fund's capacity to accumulate and report labor costs by program (type A lunches, breakfasts, a la carte meals, etc.) and to distribute labor costs to the various operational functions (serving, preparation, storage, delivery, etc.)

Ideally, payroll expenditures should be paid out of a separate "payroll" bank account which may be maintained either by the food service fund or the general fund. This bank account is replenished at the end of each pay period (every two weeks) from the operating bank account for the total gross pay, plus the employer's share of payroll taxes and fringe benefits. In this way, funds are actually deposited into a separate account (the payroll bank account) and reserved for payment of payroll-related liabilities.

A separate payroll account for the entire system simplifies internal record-keeping for both the employees and the employer, since only one payroll check needs to be prepared per employee per pay period and only one set of time and pay records needs to be prepared per employee (even if the employee works for more than one fund). The separate payroll bank account also enables the single filing of payroll and withholding tax returns.

DOCUMENTS USED

The documents required to process payroll transactions are as follows:

- time and attendance record;
- payroll journal;
- general ledger accounts;
- employee payroll record; and
- payroll checks.

PROCESSING FLOW FOR PAYROLL TRANSACTIONS

The activities involved in processing and recording payroll and payroll-related transactions consist of the processing flow steps described below:

The employee prepares the time and attendance record in whole hours. All time is allocated among the work categories (program and function). Time and attendance records are submitted to the school food services manager or to the school secretary who, in turn, forwards them to the manager for his approval.

The food service manager approves and signs all time and attendance sheets and forwards them to the accountant.

The accountant calculates the current payroll and makes the required accounting entries to the payroll journal and the employee payroll record. The accountant prepares checks and transmits employee payroll records and time and attendance records to the food service manager.

An official other than the accountant or school food service manager approves and signs the checks and is responsible for distributing them to each employee. He returns the time and attendance records to the accountant.

The accountant files the time and attendance records and employee payroll records. The accountant prepares the payment voucher (which briefly states the purpose of the check) and draws a check on the operating bank account for the amount of gross payroll, plus the employer's share of payroll taxes and employees' benefits. He makes the required accounting entry and submits the payment voucher and check to the appropriate school official for his signature. The accountant then gives the check to the clerk for deposit into the payroll account and files the signed payment voucher.

The clerk, after preparing the deposit slip, makes the deposit and transmits the duplicate deposit slip to the accountant.

The accountant attaches the duplicate deposit slip to the payment voucher which he files in numerical sequence.

In small school districts with few personnel, several of the job categories may be performed by one person. Nevertheless, the processing flow described should still be observed.

USE OF EMPLOYEE TIME AND ATTENDANCE RECORD

The employee time and attendance record (shown in Appendix H) is the basic record for payroll and labor distribution. It is used to record the amount of time a school food service employee spends in each function and program within the fund. It shows total hours on the job each day; overtime is shown separately from regular time.

Attendance time-keeping may be accomplished in various ways. For example, the employee may prepare his own record for each pay period, or one person, who is designated as a time-keeper, may record time and attendance for each employee. If the employee records his own time and attendance, the food service manager must approve the document.

The time and attendance records contain various types of information which are discussed below.

Recording Time on a Two-Week Basis. Food service funds could choose to report time weekly, semi-monthly, or monthly, depending upon the particular school district's payroll processing procedures.

Reporting Regular and Overtime Hours. Overtime is reported in total to keep the amount of recording at a minimum. However, a form could be designed to record daily overtime hours, if the school district or state employment laws require it.

Reporting Labor Hours According to Program. This is a unique reporting requirement for food service operations. The time and attendance record form provides space for recording the amount of time spent in various programs each day (breakfast, lunch, a la carte, and special function activities). All employees who complete the attendance record should report the amount of time they spend daily in each of these activities.

Reporting Labor Hours by Function. To account for labor hours spent in the various "departments" within each school's food service operation, employees should report their time spent in each of the following functional classifications:

- purchasing;
- receiving/storing;
- delivery;
- preparation;
- serving; and
- administration.

In small school districts, the first three accounts may be combined into one function account and the fourth and fifth accounts into another, giving a total of only three function accounts.

In larger school districts, an employee usually devotes his time to only one of the above functions. Therefore, he only needs to report his time in one function account. If his assignment is permanent and does not vary from period to period, he should be required to report his function labor hours only when he is temporarily assigned to another function.

In smaller school food service operations, it is necessary for an employee to report time as it is split among two or three functions. However, if the time spent in these various activities is constant from period to period, the employee only needs to report function labor hours when he is assigned temporarily to another function.

On occasion, an employee may need to split time between programs. For example, an employee opens canned peaches, places them in dishes, and serves them as a portion of type A lunches and also as an a la carte item. In these cases, the employee, or his supervisor, must determine a fair division of the time. The division of time should be determined by calculating the percentage of meals served in each program and prorating time in the same ratio. Initially, the ratio may be based on the cafeteria director's estimate, but it should be refined later when actual data are available.

Function labor hours are reported as one figure for the entire accounting period. Daily labor detail is not necessary.

PAYROLL JOURNAL ENTRIES

The accounting department uses the information on time and attendance records to generate various entries to the payroll journal (an example of which is presented in Appendix I). The journal has the features discussed below.

Line Entries for Each Employee within a School Location. Employees' names and pay rates are entered and used as reference information. Regular and overtime hours are entered so that earnings for the period may be calculated.

Earnings and Deductions. Columns are provided to record regular, overtime, and total (gross) earnings. Deduction columns are detailed for FICA, withholding taxes, insurance, and retirement payments and are then totaled for posting to the general ledger account. "Net Pay" and "Check Number" columns and a column for entering the pay period date (ending date of the period) are also provided.

Program and Function Journal Distribution Entries. Worksheets (Appendix I), which are part of the payroll journal, are recommended for computing distributions to programs and functions. An "Hours" column for each program and function is provided on the worksheet, so that an employee's hours from his time sheet may be posted directly to this worksheet. The distributed labor dollar amount is then calculated by multiplying program, or function, hours by the employee's hourly rate. All program and function amounts are then totaled for the pay period. Employer-paid expenses also are prorated on the basis of total employee program and function dollars.

Recording Deposit into a Payroll Account. A transfer is made from the operating bank account to a payroll account for the full amount of the payroll liability, including withholding, FICA taxes, and other payments which are not immediately disbursed to payees. Salaries are paid immediately, and are recorded as a disbursement from the payroll account. The remaining balance represents the withheld accounts which have yet to be paid to the government, (e.g., retirement funds) and which will be disbursed when they are due.

GENERAL AND PAYROLL LEDGER POSTING

At the end of each month, the figures in the columns of the payroll journal are totaled. The amounts appearing in these columns are posted to the general ledger according to the posting instructions which appear on the illustrative payroll journal in Appendix I. The amounts shown on the program and function distribution worksheets are posted to the payroll ledger.

As amounts are posted to the general ledger from the payroll journal, a check mark is entered beside the journal amount, and the payroll journal page number is entered in the general ledger showing the source of the posting entry.

The various debit and credit entries to be made to the general ledger from the payroll journal are summarized as follows:

Payroll journal entries reflect payment of payroll expenses and are entered for each individual employee:

Debit	Credit
4000D-4199D Salaries	1030C Cash in Bank (special payroll account)
	2025C Employee Benefits Payable

Payroll journal entries reflect the employer's share of payroll taxes and fringe benefits and are entered in total for the entire payroll:

Debit	Credit
4210D FICA Taxes	2025C Employee Benefits Payable
4220D Unemployment Taxes	2030C Annual Leave Liability
4230D Workmen's Compensation Insurance	2035C Sick Leave Liability
4240D Life Insurance	
4250D Hospitalization Insurance	
4260D Retirement Contributions	
4270D Holidays	
4280D Annual Leave	
4290D Sick Leave	

Payroll journal entries reflect the replenishment of the payroll bank account for the gross amount of the total payroll, plus the employer's share of payroll taxes and employee benefits:

Debit	Credit
1030D Cash in Bank (special payroll account)	Offset in disbursement journal (see below)

The disbursement journal reflects replenishment of the payroll bank account in the amount described above:

Debit	Credit
Offset in payroll journal	1020C Cash in Bank, checking

Sample general and payroll ledger postings are shown in Appendix J.

At the end of the fiscal year, general ledger cost accounts are "closed" by recording entries as follows:

DR fund balance (2710D)

CR payroll cost accounts (4000C-4299C)

Each cost account is credited in the amount of its debit balance (thus bringing the account balance to zero). The amount debited to the fund balance account is equal to the sum of the credits to the cost accounts.

It is recognized that in some school districts it is the policy to pay some employees over a twelve-month period for their nine-month earnings. In such instances, an accrued expense should be recognized for the earned but unpaid portion of the salary. For example, suppose that Ms. Lillian Roberts earns $6,000.00 for a nine-month period; however, she elects and the school agrees to pay her over a twelve-month period. The school year begins in September and that month is used as the first month of her earnings.

	Period of Incurred and Accrued Expense								
Earning Period	S	O	N	D	J	F	M	A	M
	Period of Cash Payments								
Payment Period	S	O	N	D	J	F	M	A	M

On the basis of the nine-month salary, Ms. Roberts will be earning $666.66 per month ($6,000 ÷ 9 = 666.66) but will only be receiving $500.00 per month ($6,000 ÷ 12 = 500).

Therefore, for each month from September through May, $166.66 should be accrued on the records. The monthly entry would be:

Debit	Credit
4000D - 4199D Salaries - $166.66	2020C Salaries Payable - $166.66

After nine months the entries would have accumulated as follows:

Debit	Credit
4000D - 4199D Salaries - $1,500.00	2020C - Salaries Payable - $1,500.00

Note: (166.66 x 9 = $1,499.94 rounded to $1,500.00)

During the month of June, July, and August, the entry for each month would be as follows:

Debit	Credit
2020C - Salaries Payable $500.00	1030C - Cash-Payroll Checking xxx.xx
	2000-2099C - Various Accounts xx.xx

By the end of August the accrual will be reduced to zero, and costs during the period would have been properly recognized when incurred, as opposed to when paid.

EMPLOYEE PAYROLL RECORD COMPLETION

An employee payroll record is required to report income for federal income tax and other purposes. This record usually is arranged to parallel the payroll journal and is similar to the one illustrated in Appendix K. It is customary to record each pay period individually on hand-posted records, and to use separate "Year to Date" columns in machine accounting. Usually, the headings of the employee payroll record provide spaces for recording all of the information needed to calculate the gross pay for an individual.

A "standard entry" line, which consists of the employee's normal gross pay, net pay, and deductions, frequently is included on the employee payroll record. The figures are entered when the employment contract has been signed, and the standard deductions are determined. From that point on, the same amounts are used for each pay period unless an exception occurs, such as overtime, a change in salary, or a change in deductions. This procedure eliminates the necessity for recalculating unchanged figures each pay period.

The employee payroll record is "footed" (i.e., each individual column is added) periodically to verify the accuracy of the postings. Official totals are usually taken at the end of the fiscal year and at the end of the calendar year. Usually, fiscal year totals are required for the annual audit of payroll records. Calendar year totals are required for reporting withholding tax or social security information to federal, state, or other involved agencies.

CHAPTER VIII

EXPENDITURE ACCOUNTING FOR FOOD, SUPPLIES, EQUIPMENT, AND SERVICES

INTRODUCTION

This chapter describes the processing and recording of expenditure transactions for different types of food, supplies, equipment, and services. The following steps are part of the processing and recording of those expenditure transactions which relate to the acquisition of outside goods and services:

- ordering goods or services;
- receiving outside goods or services (accrual of an expenditure and liability); and
- disbursing cash (liquidation of a liability).

The following aspects of each step are discussed:

- a brief statement of the recommended financial policies which should govern the transaction;
- a list of the applicable source documents;
- a description of the processing flow; and
- an explanation of the accounting entries.

Two specialized journals, the purchases journal and the disbursements journal, and one specialized ledger, the vendor ledger, are used for expenditure transactions involving food, supplies, equipment, and services.

ORDERING GOODS OR SERVICES

Recommended Policy

Food, supplies, equipment, and services from outside sources should be purchased through the preparation of a purchase requisition which initiates the preparation and issuance of a purchase order. Exceptions to this policy include those procurements which recur periodically and routinely, such as telephone services and equipment rentals. These purchases do not require a purchase order each time a payment is due because they are covered by rental or service agreements.

Source Documents

The following two documents are necessary when ordering goods or services:

- purchase requisition, which should contain the following information for operational and accounting information and control:
  - requisition number,
  - date originated,
  - item(s) number,
  - item(s) description,
  - quantity required,
  - date required,
  - originator's signature,
  - approval signature and date, and
  - account number (object and location), and
- purchase order, which should contain the following information:
  - purchase order number,
  - date purchase order originated,
  - vendor name and address,
  - item(s) number,
  - item(s) description,
  - quantity ordered,
  - date required,
  - unit price,
  - total price for item,
  - sales tax amount (dollars),
  - total purchase order amount (dollars),
  - originator's signature and date, and
  - account number (object and location).

Processing Flow for Ordering Goods or Services

The individual requisitioning the purchase of goods or services prepares the purchase requisition, which contains the description and purpose of the items or services to be purchased and the accounting classification to be charged.

The school food service manager or purchasing agent prepares a purchase order, indicating the name and address of the vendor, the estimated cost, and the date of delivery or completion of goods or services. For purchases under an amount specified by the school

food services director, the vendor name and estimated cost are obtained informally by the individual making the requisition, relying on telephone conversations, catalogue data, and prior experience. For procurements over the specified amount, this information must be obtained more formally using competitive bids, written quotations, etc., according to procurement policies established by the director. The manager or purchasing agent assigns the next available purchase order sequence number for a purchase order log.

The originator of the purchase order submits the order to the accountant retaining one copy for his own file.

The accountant reviews the purchase order for arithmetic accuracy, determines the applicable general ledger account classification, and makes the appropriate accounting entry. The amount entered is for the full amount of the purchase order. He files a copy of the purchase order in numerical sequence.

RECEIVING OUTSIDE GOODS OR SERVICES

Policy

Expenses (except for inventoried items), and their corresponding liabilities for payment, are recognized upon receipt of the vendors' invoices or other suitable documentation, indicating the delivery and price of the ordered goods or services (verified by an internal "receiving report"). The liability is recorded even in those cases where there is concurrent payment of the liability. In cases where an invoice is not usually received (e.g., equipment rentals), the accountant, or other authorized person, prepares payment vouchers when the liability arises.

All accounts payable should be supported in detail in a vendor ledger. When the expenses involve a fund other than the food service fund, the necessary "Due To/Due From" entries (recognizing "inter-fund" liabilities, such as general fund liabilities) are made at the same time the expenses are recognized. Subsequent payments are drawn from the school service fund bank account.

Receipt and Withdrawal Control Procedures

The Perpetual Inventory Method

The food and supply inventories for school food service funds must be accounted for and controlled effectively. Therefore, complete, effective paperwork procedures are essential to record the receipt of food and supplies into cafeteria storage locations and the subsequent distribution of food and supplies from these storage locations for

preparation and serving. Receiving reports, showing the goods received from vendor warehouses, should be utilized to match purchase orders and subsequent vendor invoices. A record of withdrawals from storage should also be maintained. Withdrawal listings or tickets show which items have been issued from storage for kitchen preparation and/or to the serving line.

The Periodic Inventory Method

School food service operations also use the periodic inventory method of accounting. This method does not provide the same elements of control as the perpetual inventory procedure described in the previous section. An end of accounting period inventory is determined by counting and pricing all food and other supplies which are on hand but which will be used the following month. This procedure is termed "taking a physical inventory" and is different from the perpetual inventory method. Either procedure could be used, but the perpetual inventory method (which should include periodical inventory adjustments) is preferred and recommended.

Source Documents

The following source documents are necessary when receiving outside goods or services:

- purchase order;
- receiving reports; and
- payment vouchers.

Processing Flow

The originator of the purchase order fills out a receiving report to acknowledge partial or total receipt of goods or services ordered. He transmits a copy of the receiving report to the accountant.

The accountant receives the receiving report and attaches it to a copy of the purchase order. He receives the vendor's invoice through the mail, stamping the date of receipt on the invoice. The accountant prepares a payment voucher for liabilities which are not evidenced by an invoice. He compares the vendor's invoice with the corresponding purchase order(s) and the attached receiving report (if the expenditure was preceded by a purchase order) to verify the quantity, price, and the actual receipt or completion of goods or services being billed.

If a discrepancy exists, the accountant discusses the situation with the originator of the purchase order; if the discrepancy is not resolved, the accountant contacts the vendor as soon as possible to

report the discrepancy. If no discrepancy exists or if a prior discrepancy is corrected, he marks the invoice "approved for payment," enters the related purchase order number, and circles both the amount to be paid and the due date (or enters these if they are not clearly indicated). If the expenditure was not preceded by a purchase order, he receives authorization from the food service director before approving payment.

The accountant indicates partial or full liquidation, enters the liquidating invoice date, and marks the amount of payment on the copy of the purchase order in the open purchase order file. If the purchase order is fully liquidated, the copy is removed from the open purchase order file and filed in a "closed" file. If it is partially liquidated, the new unliquidated balance is entered on the purchase order copy which is retained in the open purchase order file.

The accountant pulls the appropriate vendor ledger card from the vendor ledger file and posts payment information to it. The accountant enters the general ledger account(s) and the amount(s) being charged on the vendor's invoice or payment voucher. He files the unpaid invoice or the payment voucher in a "to be paid" file in chronological order by payment due dates (recognizing trade discounts offered for accelerated payments) and files the vendor ledger card alphabetically in the vendor ledger file.

Accounting Entries

Expenditure transactions require accounting entries in a purchases journal and a vendor ledger. Appendix L contains illustrative entries for a purchases journal. Appendix M contains sample entries of a vendor ledger, which correspond to the accounting entries made in the purchases journal.

The entries to the purchases journal are summarized as follows:

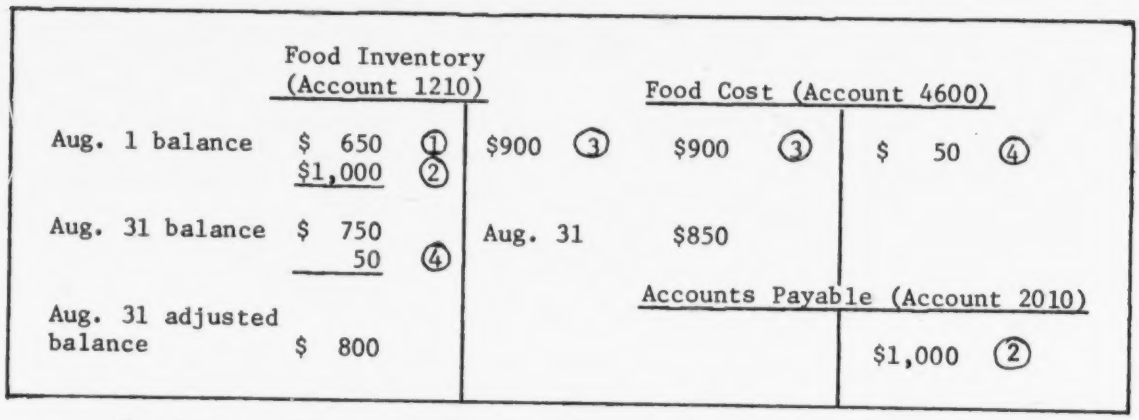
Debit	Credit
expense accounts (4300D through 4899D) and/or due-from-other-fund account (1110D)	accounts payable (2010C) and vendor ledger (subsidiary ledger, supporting account 2010C).

Recording Perpetual Inventory Transactions

To record inventory transactions under the recommended receipt and disbursement control procedures, the various inventory (asset) accounts are debited as purchases are made, and a corresponding credit is made to the accounts payable account. When food or supplies are issued from the stock room, the inventory is credited with a corresponding debit to the food cost account. Figure VIII.1 and transactions following display a perpetual method for recording inventory transactions.

FIGURE VIII.1

PERPETUAL METHOD FOR RECORDING INVENTORY TRANSACTONS[1]



In this example, the general ledger food inventory balance was $650 at the beginning of the month. During the month, food purchased and received into the inventory amounted to $1,000. Food disbursed from the inventory for meal preparation or resale amounts to $900. Figure 1 transactions are summarized as follows:

Transaction 1. The beginning balance for food inventory (account 1210) is a "running balance;" that is, it is maintained as a result of processing receipts and issues in and out of the inventory. It is adjusted or "corrected" whenever a physical inventory is taken by a school location's food service personnel.

Transaction 2. This entry shows the total of all food purchases, as posted to the general ledger from the purchases journal at the end of the accounting period (usually monthly). Food inventory (account 1210) is debited and accounts payable account 2010 is credited.

Transactio 3. This entry shows the disbursement and use of food issued from the inventory. The food inventory (account 1210) is credited and food cost (account 4600) is debited. The balance remaining in the food inventory account at the end of the period is $750.

Transaction 4. A physical inventory is taken at the end of the accounting period and reveals that the value of the inventory is $800, which is $50 more than the end of period "book" balance. The food inventory account (account 1210) is debited to increase the account balance to $800, and the food cost account (account 4600) is credited to reduce the food cost balance to $850.

---

[1] The circled numbers refer to the specific transactions which follow the figure.

If the value of the inventory is less than the "book" amount when a physical inventory is taken, the opposite procedures take place (i.e., the food inventory account (account 1210) is credited and the food cost account (account 4600) is debited).

Recording Periodical Inventory Transactions

The alternative periodical inventory method requires a physical inventory at the end of each accounting period. This value of the physical inventory will be posted to the inventory account and will have a debit balance at the beginning of the month. The source of this balance is a physical inventory report which is submitted by school location at the end of each accounting period. Purchases are recorded but not "inventoried," as illustrated in Figure VIII.1; instead, they are accumulated in the food cost account until the end of the month.

FIGURE VIII.2

THE PHYSICAL INVENTORY METHOD[1]

	Food Inventory (Account 1210)		Food Purchases (Account 4600)	
Aug. 1 balance	$650 (1)		$1,000 (2)	
		$650 (3)		$1,000 (5)
	$750 (4)			
	Cost of Food Sold		**Accounts Payable (Account 2010)**	
	$650 (3)	$750 (4)		$1,000 (2)
	$1,000 (5)			
	$900			

Figure VIII.2 transactions are summarized as follows:

Transaction 1. This amount is the beginning debit balance for food inventory (account 1210) as a result of the physical inventory taken at the end of the prior month.

Transaction 2. This entry shows the total of all food purchases which were posted to the general ledger from the purchases journal at the end of the accounting period.

---

[1] The circled numbers refer to the specific transactions which follow the figure.

Transaction 3. This is the closing entry to the general ledger at the end of the month which brings the account balance to zero. The offsetting entry is a debit to the cost of food sold account.

Transaction 4. This entry establishes the end-of-month physical inventory recorded from an inventory listing. The offsetting entry is a credit to the cost of food sold account.

Transaction 5. The closing credit entry to food purchases is offset by a debit entry to the cost of food sold account. The remaining balance in this account is $900 which is the cost of food sold for the month of August.

Recording Equipment Purchases and Depreciation Transactions

When food service equipment which has been purchased by the food service fund is to be replaced, depreciation accounting for fixed assets is recommended. "Depreciation" is defined as a loss in value or service life of fixed assets because of wear, elapse of time, inadequacy, or obsolescence. In financial accounting, this loss in value is the portion of the original costs of a fixed asset which was charged as an expense during a specific period. In school accounting, depreciation has reduced significance, because, unlike commercial accounting, depreciation is not used for federal income tax purposes. The depreciation concept is used when a school food service wishes to reserve funds for the replacement of equipment or when the cost of an asset is matched with its income producing period by prorating the cost over the expected life of the asset.

The accounting entries necessary to record those equipment purchases which are to be treated as fixed assets are as follows:

Purchase of Equipment	
Debit	Credit
equipment (account 1510D) or vehicles (account 1520D)	cash, checking (account 1010C) or account payable (account 2010C)

Recognition of Depreciation Expense at the End of an Accounting Period	
Debit	Credit
equipment depreciation cost (account 4710D) vehicle depreciation cost (account 4740D)	accumulated depreciation (account 1590C)

Some state laws may not allow the establishment of a cash account for replacement of equipment. Therefore, it is recommended that the following transaction be optional, depending on the decision of the school management and local and state laws.

OPTIONAL	
Establishment of the Sinking Fund Account for Eventual Replacement of Equipment	
Debit	Credit
cash-sinking fund-Fixed Assets (account 1050D)	Fund Balance Account-Reserve for fixed assets (account 2810C)

DISBURSING CASH OR LIQUIDATING SCHOOL FOOD SERVICE LIABILITIES

Policy

All payments for outside goods and services should be validated by a vendor invoice or payment voucher which has been "approved for payment" through the procedures already outlined. Invoices should be paid by checks drawn on the school food service bank account. Payments should be made when they become due; however, opportunities for trade discounts through accelerated payments should not be missed.

Source Documents

Source documents involved in disbursing cash are: vendor invoice, payment voucher, and disbursement check.

Processing Flow

The accountant pulls unpaid vendor invoices and/or payment vouchers from the current day's section of "to be paid" file. He pulls the corresponding vendor ledger card(s) from the vendor ledger file and examines the card(s) to check if other unpaid invoices and/or payment vouchers to the same vendors have been recorded recently and whether, for convenience, they should also be paid at this time. If so, he pulls the appropriate vendor invoices and/or payment vouchers from the "to be paid" file. He makes the required accounting entries and prepares disbursement checks, and marks the invoices or payment vouchers as "Paid Check No.____" and the date.

The accountant transmits the checks to the school food service manager along with paid invoices and/or payment vouchers and vendor ledger cards.

The food service manager approves and signs the checks. If he disapproves, he returns the checks and supporting documents to the accountant for correction. He mails the signed checks and returns the supporting documentation to the accountant.

The accountant files paid invoices by check number and/or payment voucher in numerical sequence in the "paid" file and files vendor ledger cards alphabetically in the vendor ledger file.

Accounting Entries

These transactions normally require accounting entries similar to those in the disbursements journal and vendor ledger. These accounting entries also require the preparation of disbursement checks.

The standard transactions entered in a disbursements journal are depicted in the chart below (see Appendix N for a suggested format for this journal):

Debit	Credit
accounts payable (2010D)	cash in bank, checking (1010C)
vendor ledger (subsidiary)	and, if applicable,
ledger supporting general ledger account 2010D	miscellaneous income (3410C)

General ledger accounts are posted at the end of the accounting period from the purchases journal, disbursements journal, and journal vouchers. Figure 0.1 in Appendix O illustrates the posting of seven general ledger accounts, five from the purchases journal and two from the disbursements journal.

APPENDIX A

CASH RECEIPTS AND PARTICIPATION REPORT (FIGURE A.1)

SPECIFICATION FOR COMPLETION OF REPORT

FIGURE A.1
CASH RECEIPTS AND PARTICIPATION REPORT

School	Location No.	Change Bank Issued	Cashier Signature	Checked By	Date
Greenwood School		$10.00			9/1/72

Cash Drawer Reconciliation		Cash Count		Remarks
Closing Balance (Register Reading)	$255.00	$5.00 & Larger	$ 65.00	
Opening Balance (Register Reading)	00.00	$1.00	191.00	
Difference	255.00	Halves & Quarters	5.25	
Cash Count Less Change Bank	254.95	Dimes	2.00	
Overage	00.00	Nickels	1.20	
Shortage	.05	Pennies	.50	
		Total	$264.95	

Sales to Pupils

Type A Lunches							Breakfasts						A La Carte	Special Milk Program		
Total Served	Tickets Collected	Cash Sales Full Value	Less: Price Reduction		Less: Free	Equals: Cash Rec.	Total Served	Ticket Sales	Cash Sales Full Value	Less: Price Reduction	Less: Free	Equals: Cash Rec.	Cash Rec.	Total Purch.	Ticket Sales	Cash Sales
	@.50	@.50	@.35	@.40	@.50			@.25	@.	@.	@.				@.	@.
1,700	700 Free / 90 Red	1,000	100	150	300		400	400 Free / 100 Red	0							
	$350.00	$500.00	$35.00	$60.00	$150.00	$255.00		$100.00	$0.00	$	$	$0.00			$	$

Sales to Adults

	@.		@.		@.		@.		@.	@.
	$		$		$		$	$	$	$

No. of 1/2 Pints - Special Milk Program				
Sold	Not-Reimbursable		Reimbursable	
	To Adults	With Meals	SAMP	SMP

Employee Meals	To Students			To Adults		
	No.	@	Value	No.	@	Value
Breakfast						
Lunch	3	$.50	$1.50			
A La Carte						
Total			$1.50			
Total						$1.50

Cash Receipts Reconciliation	
Cash Receipts	Amount
Pupils: Type A Lunch	$255.00
Breakfast	
A La Carte	
Special Milk	
Adults: Lunch	
Breakfast	
A La Carte	
Special Milk	
Total	$255.00
Cash Count	$264.95
Less: Change Bank	$ 10.00
Cash Received	$254.95
Over (Short)	$ (.05)

SPECIFICATION FOR

FIGURE A.1 - CASH RECEIPTS AND PARTICIPATION REPORT

PURPOSE

The report records a cashier's daily total of sales dollars and meal counts for each category of sales and reconciles the cash turned in by the cashier and the cash register readings with the reported sales. In addition, this form is used for meal count information on ticket sales. All meal values also are calculated; only cash received for a la carte sales and miscellaneous cash are included for reconciliation purposes, however.

TIMING

It is prepared daily.

SOURCE OF DATA

Information on the report is derived from the cash register readings and cash count.

PREPARATION AND APPROVAL

The report is prepared by cashier and checked by the school lunch manager.

DISTRIBUTION

An original and one copy are prepared. The original is forwarded to the district office with a bank deposit slip, and the copy is kept at the school.

GENERAL

1. The school lunch manager, working in conjunction with the district accounting department, must establish an accurate, efficient method by which the cashier(s) at each school can compile the number of meals sold and the dollar sales in each required reporting category. The method selected will vary according to the capabilities of the cash register(s), adding machine(s), or other equipment available at the school and according to the physical set-up and the district's policies on identifying those students entitled to free or reduced price meals.

REPORT FIELD DEFINITIONS

Fields	Definition or Entry Instruction
heading information	Enter the name of the school, location, number, the dollar amount of the change bank and the date.
Sales to Pupils - Type A Lunches	
total served	Enter the total type A lunches served.
tickets collected	Enter the total type A lunches for which tickets were exchanged, the full sales value per meal, and the total value. Also note the number of free and reduced price meals.
total at full price	Enter the number of pupil type A lunches served, including full price lunches, reduced price lunches, and free lunches. Enter the total number of lunches served multiplied by the full price per lunch in the dollars space.
less: price reduction	There are two columns provided for reduced price lunches. If more than one price is offered, use the second column. Enter the amount of the price reduction on the unit price line. Do not enter the reduced price itself. Then enter the number of reduced price lunches sold. Multiply the amount of the reduction by the number of lunches sold to pupils at the reduced price.
less: free	Enter the number of free type A lunches served. Multiply this number by the full price of the type A lunch.
equals: cash received	Total the full price, reduction, and free sales. Enter only the dollar amount.
Sales to Pupils - Breakfasts	The same columns which are provided for type A lunches are also provided for breakfast, except that only one column is provided for price reductions. The instructions for completing

these columns are the same as for the type A lunch columns. Again, the amount of the price reduction and not the reduced price itself must be entered.

Sales to Pupils - A La Carte

Enter the total amount of cash received from a la carte sales to pupils. If a la carte per meal costs are required, also enter the number of individual a la carte transactions.

Sales to Pupils - Special Milk Program

The columns are analogous to those for type A lunch, except free milk under the Special Assistance Milk Program is not included.

Sales to Adults

lunches

Enter the number and total dollar amount for type A lunches served to all adults for tickets and cash.

breakfasts

Enter the number and total dollar amount for breakfasts served to all adults for tickets and cash.

a la carte

Enter the total amount of cash received from a la carte sales to adults. If a la carte per meal costs are required, also enter the number of individual a la carte transactions.

cash receipts reconciliation

Enter the totals for the following columns:

- cash received - pupil lunches;
- cash received - pupil breakfasts;
- cash received - a la carte;
- cash received - pupil Special Milk Program;
- lunches (adults);
- breakfasts (adults);
- a la carte (adults); and
- Special Milk (adults).

Compare the total to the cash count minus the change bank. Any excess or shortage affects only the next day's change bank and not the day's deposit.

Number of Half Pints - Special Milk Program

purchased	Enter the total number of half pints purchased daily in all programs. This information is to be taken directly from the milk vendor's invoice.
to adults	Enter the number of half pints of milk served to adults (determine either by taking an actual count or using three percent of the total milk purchases).
with meals	Enter the total number of half pints served to children in type A lunches under the National School Lunch Program and in breakfasts under the School Breakfast Program.
free to needy SAMP	Enter the number of half pints of milk served to children (in other than type A lunches) for which no charge was made. (This only applies if the school is approved for such assistance.)
SMP	Enter the number of half pints of milk not included in the type A lunch sold to children.
number of employees meals	Enter the actual number of meals eaten by the employees, including student workers, and the value of these meals.
cash count	At the end of the working day, the cashier is to count the cash and enter the amount by denomination. Add the amounts and enter the total on the "Total Cash" line.
cashier's signature (and) checked by signature	After the above entries are completed, the cashier is to sign the form in the proper space and turn this form, the cash receipts, and the change bank into the school manager who is to verify the cash receipts and change bank amounts and sign in the proper space.

cash drawer reconciliation

The school manager (or someone other than the cashier who the manager designates) is to read the register and enter the following:

- closing register reading;
- opening register reading;
- reading difference (subtract the opening reading from the closing reading);
- cash receipts (transcribe the amount from the "Cash Receipts" line in the "Cash Turned In" section;
- excess (if the cash receipts amount is larger than the reading difference, enter the difference between the two in this space); and
- shortage (if the register reading is larger than the cash receipts amount, enter the difference between the two in this space).

This section is to be used for cash drawer control only.

APPENDIX B

REIMBURSEMENT VOUCHER WORKSHEET (FIGURE B.1)

SPECIFICATIONS FOR COMPLETION OF WORKSHEET

FIGURE B.1

REIMBURSEMENT VOUCHER WORKSHEET

Date_____

Month	Year	Day	Number of Meals Served to Children								Number of Meals Served to Adults			Nu
			Type A Lunches				Breakfasts							
			Total	Reduced		Free	Total	Reduced		Free	A La Carte (Optional)	Lunches	Breakfasts	A La Carte (Optional)	P
September	1972	1	350	10	20	35	25	60		80					
		2													
		3													
		4													
		5													
		6													
		7													
		8													
		9													
		10													
		11													
		12													
		13													
		14													
		15													
		16													
		17													
		18													
		19													
		20													
		21													
		22													
		23													
		24													
		25													
		26													
		27													
		28													
		29													
		30													
	Totals		3,200	400	400	900	700	250		250					

(DAILY ENTRIES)

B.2

FIGURE B.1

REIMBURSEMENT VOUCHER WORKSHEET

Meals Served to Children					Number of Meals Served to Adults			Number of One-Half Pints - Special Milk Program				
	Breakfasts			A La Carte (Optional)	Lunches	Breakfasts	A La Carte (Optional)	Purchased	Not Reimbursable		Reimbursable	
	Total	Reduced	Free						To Adults	With Meals	SAMP	SMP
	25	60	80									
IES)												
	700	250	250									

B.2

SPECIFICATION FOR

FIGURE B.1 - REIMBURSEMENT VOUCHER WORKSHEET NATIONAL SCHOOL LUNCH, SCHOOL BREAKFAST, AND SPECIAL MILK PROGRAMS

PURPOSE

The report records the number of meals served to children and adults for a month. This form is used to serve as a summary document in providing information for reimbursement vouchers sent to state agencies. It is also used as a worksheet for determining revenue earned where tickets are sold to children and adults.

TIMING

Entries are made daily by transferring information from the cash receipts and participation report (see Figure A.1).

SOURCE OF DATA

Information on the worksheet is derived from the cash receipts and participation report (for cash sales and ticket sales).

PREPARATION AND APPROVAL

The worksheet is prepared by an accounting clerk and it is checked by the accountant.

DISTRIBUTION

It is retained in the district accounting office.

REPORT FIELD DEFINITIONS

Fields	Definition or Entry Instruction
month and year	Enter the month and year for which the information is reported.
Number of Meals Served to Children	
date	Each line (numbered from 1 to 30) entry represents one day's activity

for this worksheet. The first day's participation information is to be entered on line 1, the second in 2, etc.

lunches — Enter the total of all type A lunches served to pupils for the day from the corresponding field on the cash report or ticket receipts and participation report (all entries are references from these sources).

reduced — Enter the number of reduced price type A lunches. Two columns are provided for entry when there is more than one price category of reduced price lunch served. Additional columns will need to be designed for more than two categories of reduced price meals.

free — Enter the number of free type A lunches served to pupils.

Breakfasts

total — Enter the total of all breakfasts served to pupils.

reduced — Enter the number of reduced price breakfasts for each category of reduced price breakfast.

free — Record the number of free breakfasts.

a la carte (optional) — Enter the number of a la carte transactions for the day (sales to pupils only).

Number of Meals Served to Adults

lunches — Enter the number of type A lunches served to adults. Free meals are not to be included (i.e., those meals served to employees or to student workers are not to be included).

breakfasts — Enter the total of all breakfasts served to adults.

a la carte (optional)	Enter the number of a la carte transactions for the day (sales only).
Number of Half Pints - Special Milk Program (all information to be taken from the daily cash receipts and participation report).	
purchased	Enter the total number of half pints purchased daily.
to adults	Enter the number of half pints served to adults (by taking an actual count or using three percent of the total purchases).
to children with meals	Enter the total number of half pints served to children as part of breakfasts and type A lunches.
SAMP	Enter the number of half pints of milk served to children (in other than type A lunches) for which no charge was made.
remaining to children	Enter the number of half pints of milk sold to children not included in the type A lunch.
(line) totals	Each column defined above is totaled at the end of the month for entry on the reimbursement report to the state.

APPENDIX C

TICKET RECEIPTS REPORT (FIGURE C.1)

SPECIFICATION FOR COMPLETION OF REPORT

FIGURE C.1
TICKET RECEIPTS REPORT

Date_____

	Sales To Pupils				Sales To Adults			
Next Ticket No. To Be Issued	No. 01072	Type A Lunches			No.	Type A Lunches		
Less: Beginning No.	No. 00272				No.			
Equals: Total Value Issued	No. 800	@ .50		$400.00	No.	@.		$.
Less: Price Reduction	No.	@.	$.		No.	@.	$.	
Price Reduction	No.	@.	$.		No.	@.	$.	
Free	No. 200	@ .50	$100.00	$100.00	No.	@.	$.	$.
Cash Received, Lunches				$300.00				$.
Next Ticket No. To Be Issued	No. 01183	Breakfasts			No.	Breakfasts		
Less: Beginning No.	No. 00783				No.			
Equals: Total Value Issued	No. 400	@ .25		$100.00	No.	@.		$.
Less: Price Reduction	No.	@.	$.		No.	@.	$.	
Price Reduction	No.	@.	$.		No.	@.	$.	
Free	No. 100	@ .25	$ 25.00	$ 25.00	No.	@.	$.	$.
Cash Received, Breakfasts				$ 75.00				$.
Next Ticket No. To Be Issued	No.	Milk			No.			
Less: Beginning No.	No.				No.			
Equals: Total Value Issued	No.	@.		$.	No.	@.		$.
Less: Price Reduction	No.	@.	$.		No.	@.	$.	
Price Reduction	No.	@.	$.		No.	@.	$.	
Free	No.	@.	$.	$.	No.	@.	$.	$.
Cash Received, Milk				$.				$.
Total Cash Received: Pupils & Adults				$.				$.

Combined Total (Pupils & Adults) → $375.00

Cash Turned In:

Cash Counted	$385.00
Less: Change Bank	$ 10.00
Equals: Cash Receipts	$375.00
Less: Combined Total	$375.00
Equals: Overage or (Shortage)	$ 0.00

Ticket Clerk's Signature	Remarks
Manager's Signature	

SPECIFICATION FOR

FIGURE C.1 - TICKET RECEIPTS REPORT

PURPOSE

The report is used to record a cashier's and clerk's daily total of cash received from the sale of tickets.

TIMING

It is prepared daily by the cashier (or clerk or secretary in the school office).

SOURCE OF DATA

Information on this report is derived from the cash count and ticket numbers.

DISTRIBUTION

An original and one copy are prepared. The original is forwarded to the district office with bank deposit slip, and the copy is kept at the school location.

GENERAL

1. Records of who purchased tickets do not need to be kept.

2. Tickets should be sold in the lunch line each day or from a central point. Any denomination of ticket may be used with this form (20-day tickets, five-day tickets, or one-day tickets).

3. The names of persons to whom tickets are sold should appear on the tickets. Therefore, if a ticket is lost, no one other than the purchaser can use the ticket or erase the name without it being noticed. Tickets should be numbered consecutively and should be differently colored for each meal program (breakfast, milk, lunch). Regular roll tickets will work best for daily sales, where one ticket which can be punched only once could not be used for multiple meal purchases.

4. If a pupil or adult needs only a few additional meals to finish out the school year where multiple meal tickets are sold, daily tickets may be bought so that the school may avoid refunds.

REPORT FIELD DEFINITIONS

Fields	Definition or Entry Instruction
date	Enter the day on which the tickets are sold.
sales to pupils	Six large blocks are provided for entering information concerning ticket sales (three blocks for pupil ticket sales and three for adults.) Blocks are provided for recording type A lunch, breakfast, and milk ticket sales for both pupils and adults. Information for each block is as follows.
sold to number	Enter the number of the ticket which follows the number of the last ticket sold. This information is used to verify and control the number of tickets disbursed.
less: beginning	Enter the number of the first ticket used for a day's ticket sales.
equals: total value issued	Enter the total number of tickets sold. This amount should be equal to the difference between the beginning ticket number and the number of the last ticket sold. Enter the unit price per meal (this should be for full price, (e.g., 50¢ -- the full price of a type A lunch). Finally, multiply the total number of tickets sold by the full unit price and enter the result in the dollar block.
less: price reduction	Enter the number of tickets sold at a reduced price. Enter the amount of price reduction from the full unit price in the block, and finally the total amount of price reduction in the dollar block (multiply the number of reduced price lunches by the amount of price reduction to arrive at the total amount of price reduction).
free	Enter the number of free lunches, breakfasts, or milk tickets "sold"

	(issued). Multiply these numbers by the full value of each type of meal and enter the results in the dollar blocks.
cash received	Enter the difference between total tickets sold at full price and free and reduced tickets sold. Line 7 = line 3 minus lines 4, 5, and 6.
total cash received, pupils and adults	Total all cash received for each program for pupils and enter the total in the pupil program column. Perform the same operation for the adult column.
combined totals, pupils and adults	Add the amount of cash received from pupils to the amount of cash received from adults and enter the result on this line.
Cash Turned In	
cash counted	All cash is counted at the end of the working day. Enter the total amount received from ticket receipts and from cash sales on this line.
less: change bank	This is the amount of change which was available for selling tickets and making change in the service line for a la carte sales at the beginning of the day.
equals: cash receipts	This is the difference between the change bank and cash counted. It should match the amount entered in item 13.
less: combined total	Enter the amount on line 9 as indicated by arrow on the form. Subtract this amount from the cash receipts counted.
excess or (shortage)	The difference between cash counted and tickets sold. Parentheses around the entry indicate a shortage.

APPENDIX D

CASH RECEIPTS JOURNAL (FIGURE D.1)

SPECIFICATION FOR COMPLETION OF JOURNAL

FIGURE D.1
CASH RECEIPTS JOUR

W.P. No.	CRJ 1
Accountant	
Date	

Line No.	Date	Remarks	Cash		Ticket Value		Def. Income	Sales		Price Red.		Other Local Revenue				State Revenues				
								Pupils	Adults	Type A	Break.	Transfers		Misc.		Reimb.		Other		
			10100	1010C	16100	1010C	26100	3010C	3020C	30100	31150	32100	3210C	34100	3410C	35100	3510C	35200	3520C	37
1	9/1	Ticket Sales	$375.00			$500.00				$100.00	$25.00									
2	9/1	Meal Sales (Cash)	255.00					$500.00		245.00										
3	9/1	Meal Sales (Tickets)					$450.00	450.00												
4	9/1	Refunds		$20.00	$25.00					(5.00)										
5	9/2	State Reimb. Rec.	250.00																	
6	9/2	Fed. Reimb. Rec.	80.00																	
7	9/3	PTA Dinner (Payment Due)							$300.00											
8	9/25	State Reimb. Claim															$260.00			
9	9/26	Fed. Reimb. Claim																		
10	9/30	PTA Dinner (9/3) Payment	300.00																	
		Total	$1,260.00	$20.00	$25.00	$500.00	$450.00	$950.00	$300.00	$340.00	$25.00						$260.00			

FIGURE D.1
CASH RECEIPTS JOURNAL

Rec. Break.	Other Local Revenue				State Revenues				Federal Reimb.		Due from Funds		Due from Governments				Other Rec.		Program Distribution						
	Transfers		Misc.		Reimb.		Other						State		Federal				Type A Lunch	Break.	Spec. Milk Prog.	A La Carte	Spec. Function	Misc.	Line No.
31150	32100	3210C	3410D	3410C	3510D	3510C	3520D	3520C	3710D	3710C	1110D	1110C	1130D	1130C	1140D	1140C	1150D	1150C							
$25.00																									1
																			$500.00						2
																			350.00	$100.00					3
																									4
														$250.00											5
																$80.00									6
																	$300.00						$300.00		7
						$260.00							$260.00						240.00	20.00					8
										$85.00					$85.00				80.00	5.00					9
																		$300.00							10
$25.00						$260.00				$85.00			$260.00	$250.00	$85.00	$80.00	$300.00	$300.00	$1,170.00	$125.00			$300.00		

SPECIFICATION FOR

FIGURE D.1 - CASH RECEIPTS JOURNAL

PURPOSE

The cash receipts journal is the book of original entry for the following types of transactions:

. all cash receipts;

. all meal sales, whether for cash or tickets; and

. all recordings of accounts receivable.

TIMING

It is posted daily.

SOURCE OF DATA

Source documents are:

. cash receipts and participation report;

. ticket receipts and participation report;

. state and federal reimbursement claim vouchers;

. other claim and account receivable vouchers; and

. other cash receipts.

GENERAL

1. A new page is begun each month.

2. The dollar amounts recorded for all "D" accounts should be equal to the dollar amounts recorded for "C" accounts.

3. Whenever a sales or revenue account is affected, an equal amount is to be recorded in the program distribution columns.

4. Negative amounts should be enclosed in parenthesis.

5. All columns are totaled at the end of each month, and the totals are recorded in the general ledger.

6. The program distribution columns are totaled, and the total is subdivided by general ledger account. These totals are posted to the revenue ledger.

APPENDIX E

JOURNAL VOUCHER (FIGURE E.1)

SPECIFICATION FOR COMPLETION OF VOUCHER

FIGURE E.1
JOURNAL VOUCHER

JV No. 0031

Date September 1, 1972

DR	CR	ACCOUNT TITLE	ACCOUNT	DEBIT	CREDIT
X		Regular Salaries	4010D	$3.00	
	X	Sales to Pupils	3010C		$3.00

Description:

To record employee meals.

Approved by_____ Date_____

Posted by_____ Date_____ Account_____

SPECIFICATION FOR

FIGURE E.1 - JOURNAL VOUCHER

PURPOSE

The journal voucher records infrequent types of transactions which would not be recorded in other journals (e.g., cash receipts journal, disbursements journal, etc.)

TIMING

The journal voucher is used as necessary when transaction source documents are received.

SOURCE OF DATA

Information for the journal voucher is derived from reimbursement claims, letters of authorization, and information (entries) from other journals and the general ledger.

DISTRIBUTION

It is sent to the school lunch director or his representative for approval and is returned and filed in the journal voucher loose-leaf.

FIELD DEFINITIONS

Fields	Definition or Entry Instruction
JV#____	Journal vouchers are consecutively numbered. No two may have the same number.
date____	Enter the date the voucher is initiated.
DR	Place an "X" in this column for all accounts to be debited.
CR	Place an "X" in this column for all accounts to be credited.
account title	Enter the name of the general ledger account(s) to be debited or credited.

account	Enter the general ledger account number to be debited or credited.
debit	Enter the amount to be debited. Must appear with "X" in DR column.
credit	Enter the amount to be credited.
description	Enter a very brief description of the purpose of the journal voucher.
approved	Enter the signature of the person authorized to approve the transaction, usually the school food service director.
date	Enter the date of approval.
posted	Enter a check mark when posting information to general ledger accounts.
date	Enter the date when posted to the general ledger.
account	Enter the signature of the accountant who prepared the journal voucher.

APPENDIX F

GENERAL LEDGER FORMAT (FIGURE F.1)

SPECIFICATION FOR COMPLETION OF GENERAL LEDGER

FIGURE F.1
GENERAL LEDGER FORMAT

Account No. 1010 Title CASH Page 1

			Transactions		Balance	
Date	Description	Ref.	1010D	1010C	1010D	1010C
9/1	Balance Forward				$35.15	
9/30	Cash Receipt Journal	CRJ1	$1,260.00	$20.00	1,275.15	
9/30	Purchases Journal	PJ2		1,195.00	80.15	

SPECIFICATION FOR

FIGURE F.1 - GENERAL LEDGER

PURPOSE

Transactions which appear in the various journals (books of entry) are posted to the general ledger. The general ledger consists of one page for each object account number listed in the chart of accounts (Chapter V).

TIMING

General ledger transactions are posted daily or monthly. The general journal entries should be posted to the general ledger as soon as they are recorded in the journal. Other journal and closing entries are posted at the end of each month.

SOURCE OF DATA

Source of information for the general ledger is derived from the cash receipts journal, purchase journal, disbursement journal, payroll journal, and general journal.

PREPARATION

The general ledger is prepared by a clerk and the accountant. It is checked by the accountant.

REPORT FIELD DEFINITIONS

Fields	Definition or Entry Instruction
account number	Enter the object account number listed in the chart of accounts.
title	Enter the account number.
page _____	Enter the page number. General ledger pages are consecutively numbered.
date	Enter the date on which the general ledger entry is posted.
description	Enter a "label" or short narrative concerning the nature of the

	transaction. This description should match the description posted in the journal.
ref.	Enter the type of journal and the journal page number. "CRJ 5" would indicate that the transaction was entered to the cash receipts journal, page five.
transactions	Enter the dollar amount of the transaction. Debit entries are shown in the left hand column and credit entries in the right hand column.
balance	Enter the sum of the last line balance and the most recent transaction. Two columns are provided for balances: debit balances (i.e., the balance is positive) and credit balances (i.e., the balance is negative). An example is given below.

Assume a cash balance of $500.00 as of January 1. Checks are written for $100.00 and $600.00, and a sales deposit is made for $1,000.00. Transaction and balance columns would appear as shown:

	Transactions		Balance	
	1020D	1020C	1020D	1020C
1.	$ 500		500	
2.		100	400	
3.		600		200
4.	1,000		800	

APPENDIX G

REVENUE LEDGER (FIGURE G.1)

SPECIFICATION FOR COMPLETION OF LEDGER NOTES

FIGURE G.1
REVENUE LEDGER FORMAT

Control Account No. 3010 Title SALES TO PUPILS Page 1

			Type A Lunches				Breakfasts			
			Transactions		Balances		Transactions		Balances	
Date	Description	Ref.	2D	2C	2D	2C	1D	1C	1D	1C
9/30	Cash Rec., September	CRJ1		$850.00		$850.00		$100.00		$100.00

SPECIFICATION FOR

FIGURE G.1 - REVENUE LEDGER

PURPOSE

The revenue ledger is used to summarize all revenue transactions by program account (type of meal) within the general ledger account; therefore, it supports the general ledger. Balances for each program within a general ledger account must sum to the balance in the general ledger. The revenue ledger is used to prepare monthly income statements by program.

GENERAL

The rules for posting to the revenue ledger are the same as those for the general ledger. The revenue ledger may be set up as shown, with all applicable program accounts on the same page, or it may be set up in the same way as the general ledger, with a separate account on each page.

TIMING

The revenue ledger is posted whenever revenue transactions are posted to the general ledger.

SOURCE OF DATA

Sources of data are the cash receipts journal and general journal.

APPENDIX H

TIME AND ATTENDANCE RECORD (FIGURE H.1)

SPECIFICATION FOR COMPLETION OF RECORD

FIGURE H.1
TIME AND ATTENDANCE RECORD

Name (Please Print)
Barbara James
Pay Period Ending _____

School Location
Greenwood School, No. 0415

Program or Work Category	S	S	M	T	W	T	F	S	S	M	T	W	T	F	Totals Reg	Totals OT
Breakfast																
Lunch			6	6	6	6	6			6	6	6	6	6	60	
A La Carte			2	2	2	2	2			2	2	2	2	2	20	
Special Functions			-				5							5		10
Vacation																
Holiday																
Illness																
Total Hours			8	8	8	8	13			8	8	8	8	13	80	10

Employee's Signature Barbara James	Date 8/15/72	FUNCTIONS			
Manager's Signature Sandra Juliano	Date 8/16/72	F	Purchasing		
Received by Accountant Barbara Smith	Date 8/16/72	U	Receiving/Storing		
		N	Delivery		
		C	Preparation	60	10
		T	Serving	20	
		I	Administration		
		O			
		N			
		S			

SPECIFICATION FOR

FIGURE H.1 - TIME AND ATTENDANCE RECORD

PURPOSE

The time and attendance record records the amount of hours each school food service employee worked. Every employee must complete a time and attendance record for payment and for labor distribution purposes. This record serves as the source document for accounting for labor costs by program and function.

TIMING

The food service employee prepares the record every payroll period to meet the school district payroll processing deadline. This may be other than a two-week period and require changes to the format of the record.

SOURCE OF DATA

Hours worked in each program should be entered daily by each employee. An employee may enter hours worked by function daily on a separate worksheet which is summarized for the two-week period on the time and attendance record, or the employee may estimate hours by function at the end of the two-week period and enter the information directly on to the time and attendance record.

DISTRIBUTION

An original and one copy are prepared. The original is forwarded to the school district office, and the copy is retained by the school location food service operations manager.

GENERAL

Figure H.1 contains sample information which could be entered by the personnel who use this form. The employee in this example worked a total of 90 hours for the two-week period: 80 regular hours and 10 overtime hours. Overtime hours were used in preparing food for a special school function, and regular hours were split between preparing and serving type A lunches and a la carte meals. The employee completed the form at the end of the pay period. It was approved and signed by his supervisor and subsequently by the accountant on the following day.

REPORT FIELD DEFINITIONS

Field	Definition or Entry Instruction
name	Enters his name.
pay period ending	Enters the month, day, and year of the last day of the current pay per period.
school location	Enters the name and location account number of the cafeteria or other location where he works.
program or work category	Enters the type of activity in which he participates each day. Categories are preprinted on the form (with space left to enter additional categories by the employee, if necessary) according to the program categories used. Enters the number of hours absent each day.
S,S,M,T,W,etc.	Enters his attendance hours by program or work category for each day of the two-week period. Nothing less than hourly increments is to be entered. Employees are to account for a full day's work per their employment agreement.
totals, reg.-OT	Enters the bi-weekly total hours for each line on the record. (Totals are to be calculated for each program and work category line.) Regular hours are to be separated from overtime hours.
total hours	Totals the hours worked each day, as well as the totals under the "Totals, Reg.-OT" column. Total hours recorded for each day must match total hours recorded by program or work category.
function (optional)	After calculating the "Total Hours" line, restates the grand total of all hours worked by function. Thus, if an employee is involved entirely

Field	Definition or Entry Instruction
function (cont'd.)	in the preparation of food for the two-week period, he posts this time opposite the function line entitled "Preparation." If his time were split between serving food and preparing it, he would use both the "Preparation" and "Serving" lines.
employee's signature, date	Signs the form and dates it on the day he submits it to the school food manager.
manager's signature, date	The manager checks the validity and accuracy of the report, signs it, and dates it on the day he submits the report to the accounting department.
received by accountant, date	The person who receives and/or records the information signs it and dates it on the day the document was received in the department.

APPENDIX I

PAYROLL JOURNAL (FIGURE I.1)

SPECIFICATION FOR COMPLETION

WORKSHEETS FOR JOURNAL DISTRIBUTION COMPUTATIONS (FIGURE I.2)

FIGURE I.1
PAYROLL JOURNAL

W.P. No.	
Accountant	
Date	

School Location No._____

Line No.	Hourly Rate	Employee Name	Hours		Earnings			Deductions					Net
			Reg	OT	Regular	Overtime	Total	FICA	W.T.	Insurance	Retirement	Total	
1		Balance Forward											
2	$2.888	James Bailey	80		$231.00		$231.00	$12.00	$27.85	$2.50		$42.35	$18
3	$1.442	Amy Rose	80		115.36		115.36	6.00	20.59	2.50		39.09	8
4	$3.606	Nancy Benjamin	80		288.48		288.48	15.00	26.94	2.50		44.94	24
5	$3.906	Sandra Julian	80		312.48		312.48	16.25	34.34	2.50	$15.62	68.71	24
6	$3.606	Barbara James	80	10	288.48	$54.09	342.57	15.00	58.40	2.50		75.90	26
7		Subtotal			$1,235.80	$54.09	$1,289.89	$64.25	$168.12	$12.50	$15.62	$270.99	$1,02
8		FICA-Employer						$64.25					
9		Medical Insurance								$12.50			
10		Unemployment Ins.											
11		Life Insurance Prem.											
12		Subtotal						$64.25		$12.50			
13		Total			$1,235.80	$54.09	$1,289.89	$128.50	$168.12	$25.00	$15.62	$270.99	$1,02
		General Ledger Accounts				4030D						2025C	

FIGURE I.1
PAYROLL JOURNAL

Deductions				Net Pay	Pay Period	Check No.	G/L Acct. No.	Benefits Payable		Payroll Account			Line No.
W.T.	Insurance	Retirement	Total					Unemployment	Life Ins.	Deposits	Disburse.	Balance	
												$421.64	1
$27.85	$2.50		$42.35	$188.65	8/15	591							2
20.59	2.50		39.09	86.27	8/15	592							3
26.94	2.50		44.94	244.04	8/15	593							4
34.34	2.50	$15.62	68.71	243.77	8/15	594							5
58.40	2.50		75.90	266.67	8/15	595							6
$168.12	$12.50	$15.62	$270.99	$1,029.40									7
							4210D						8
	$12.50						4250D						9
							4220D	$5.00					10
							4240D		$20.00				11
	$12.50							$5.00	$20.00				12
$168.12	$25.00	$15.62	$270.99	$1,029.40				$5.00	$20.00	$1,391.64	$1,029.40	$783.88	
			2025C					2025C	2025C		1010C		

SPECIFICATION FOR

FIGURE I.1 - PAYROLL JOURNAL

PURPOSE

The payroll journal is used to enter all payroll related transactions including:

- gross and net employee earnings;
- employee deductions and employer contributions;
- distribution of labor costs to functions and programs; and
- deposits and disbursements from the payroll checking account.

TIMING

The payroll journal is prepared every pay period.

Basic information is drawn from the employee payroll records, which are normally prepared before the payroll journal.

SOURCE OF DATA

The sources of data are the time and attendance report and the employee payroll record.

DISTRIBUTION

After the payroll journal has been used to post amounts to the general ledger and payroll ledger, it is filed in chronological order with previous payroll journal sheets.

GENERAL

The sample payroll journal contains a payroll showing the pay for five employees, supplemented by four different employer contribution categories. The earnings and deductions sections would be copied from employee payroll records, and the function and program distributions would be copied from the applicable worksheets. The example shows total gross pay of $1,289.89 (column 7), plus the following employer contributions:

employer FICA	$64.25	(column 8)
medical insurance	$12.50	(column 10)
unemployment insurance	$ 5.00	(column 17)
life insurance premiums	$20.00	(column 18)

The total cost is $1,391.64, which is shown as a deposit to the payroll account (column 19). The net pay of $1,029.40 (column 13) is also shown as a disbursement from the payroll account (column 20).

To make the form easier to use, basic payroll information is in the middle of the journal sheet. The following instructions are in the order in which the journal entries will be made.

FIELD DEFINITIONS

Field	Definition or Entry Instruction
employee name	The first line of all pages for a given pay period should contain balances forward from the previous pages. (For the "Payroll Account Balance" column, the first page contains the balance forward from the previous pay period.) Each employee's name is then listed separately. After the last employee name, there should be a subtotal line, followed by the name of each category of employer payroll costs (e.g., employer FICA taxes). The last line is a total line.
hourly rate	List the hourly pay rate for each employee.
hours	List the number of regular and overtime hours worked by each employee during the pay period.
earnings	List regular, overtime, and total gross pay for each employee.
deductions	List the deductions made from gross pay for each employee. There should be a separate column for each deduction.
employer contributions	List each employer contribution separately. For those costs where

Field	Definition or Entry Instruction
employer contributions (cont'd.)	both employee and employer each pay part of the cost, the employee deduction columns (8 through 12) should be used. For those costs entirely paid by the employer, separate columns (17 and 18) should be used.
net amount, pay period, and check no.	Enter each employee's net pay, the month and the last day of the pay period, and the number of the check used to pay the employee.
payroll account	Enter the deposit to the payroll account, which should be equal to the total "gross pay" column, plus all employee contributions (columns 8 through 12, 17, and 18). Enter total disbursements, which should equal the total "Employee Net Pay" column. Separate entries should be made when employee deductions and employer contributions are paid.
column 16	When posting journal entries to the general ledger, indicate the accounts to which amounts have been posted.

FIGURE I.2A - PROGRAM DISTRIBUTION WORKSHEET

NAME	LUNCH Hours	LUNCH Dollars	BREAKFAST Hours	BREAKFAST Dollars	A LA CARTE Hours	A LA CARTE Dollars	SPECIAL FUNCTIONS Hours	SPECIAL FUNCTIONS Dollars	TOTAL AND AMOUNTS	GENERAL LEDGER ACCOUNTS
J. Bailey (1)	20	$ 57.75	20	$ 57.75	20	$ 57.75	20	$ 57.75	(2) $ 231.00	
A. Rose	40	57.68	20	28.84	10	14.42	10	14.42	115.36	
N. Benjamin	40	144.24	10	36.06	20	72.12	10	36.06	288.48	
S. Julian	20	78.12	20	78.12	20	78.12	20	78.12	312.48	
B. James	60	216.36			20	72.12	10 (OT)	54.09	342.57	
TOTALS (3)		$554.15		$200.77		$294.53		$240.44	(4) $ 54.09 1,235.80	4030D 4010D
% OF TOTAL COST (5)		43%		15%		23%		19%	100%	
Employers FICA (6)		$ 27.62		$ 9.64		$ 14.78		$ 12.21	(7) $ 64.25	4210D
Medical Insurance		5.37		1.88		2.87		2.38	12.50	4250D
Unemployment Insurance		2.15		.75		1.15		.95	5.00	4220D
Life Insurance Premium		8.60		3.00		4.60		3.80	20.00	4240D
Grand TOTALS By Program (8)		$579.89		$216.04		$317.93		$259.78	(9) $1,391.64	
Program Accounts (10)		1D		2D		4D		5D		

FIGURE I.2B

FUNCTION DISTRIBUTION WORKSHEET

NAME	PURCHASING Hours	PURCHASING Dollars	RECEIVING-STORING Hours	RECEIVING-STORING Dollars	PREPARATION Hours	PREPARATION Dollars	DELIVERY Hours	DELIVERY Dollars	SERVING Hours	SERVING Dollars	ADMINISTRATION Hours	ADMINISTRATION Dollars	TOTAL DOLLARS	GENERAL LEDGER ACCOUNTS
J. Bailey			10	$28.87			70	$202.13					$231.00	
A. Rose							10	14.42	70	$100.94			$115.36	
N. Benjamin					80	$288.48							288.48	
S. Julian	20	$78.12	10	39.06	20	78.12	10	39.06	10	39.06	10	$39.06	312.48	
B. James					60 10 (OT)	216.36 54.09			20	72.12			342.57	
TOTALS		$78.12		$67.93		$582.96 (OT)$ 54.09		$255.61		$212.12		$39.06	$1,289.89	4010D
PERCENT OF TOTAL COST		6%		5%		48%		20%		18%		3%	100%	
Employers FICA		$ 3.86		$ 3.21		$ 30.83		$ 12.85		$ 11.57		$ 1.93	$ 64.25	4210D
Medical Insurance		.74		.63		6.00		2.50		2.25		.38	12.50	4250D
Unemployment Insurance		.30		.25		2.40		1.00		.90		.15	5.00	4220D
Life Insurance Premium		1.20		1.00		9.60		4.00		3.60		.60	20.00	4240D
Grand TOTALS By Function		$84.22		$73.02		$685.88		$275.96		$230.44		$42.12	$1,391.64	
Function Accounts		10		20		30		40		50		60		

SPECIFICATION FOR

FIGURE I.2A, I.2B - PROGRAM AND FUNCTION DISTRIBUTION WORKSHEETS

PURPOSE

The program and function distribution worksheets are used to distribute payroll costs to the various program and function accounts. The worksheets support the payroll journal and should always be attached to it.

TIMING

It is prepared prior to the payroll journal but after the employee payroll records.

SOURCE OF DATA

Basic data is drawn from both the employee payroll records and the employee time and attendance records.

DATA ENTRY

Because the two worksheets are used in the same manner, the discussion of illustrative entries and the discussion of report field definitions refer to the program distribution worksheet.

GENERAL

The illustrative entries shown on the sample program distribution worksheet show the gross pay distribution for five employees to four programs. The gross pay for each program accounts for the following percentages of the total.

lunch	43 percent
breakfast	15
a la carte	23
special functions	19
Total	100 percent

The four employer contribution categories are distributed to the programs in the same percentage.

In the discussion below, each instruction corresponds to a circled number on Figure I.2A, program distribution worksheet.

1. Enter the name of each employee, the number of hours reported in each program, and the total pay for these hours. All overtime hours and pay should be so identified.

2. Calculate the total gross pay for each employee by adding the pay for each program. Make the necessary corrections to ensure that this amount is equal to the employees actual gross pay.

3. Calculate the total pay for each program for all employees.

4. Calculate the total gross pay for the pay period, ensuring that the gross pay by programs is equal to the gross pay for employees.

5. Calculate the percentage of total cost of each program by dividing the total gross pay into the total for each program, ensuring that the sum of the percentages is equal to 100 percent.

6. Calculate the amount of each employer contribution allocated to each program by multiplying the percentage of the total by the total contribution.

7. Add the amounts allocated to each program. Make corrections to ensure that this sum equals the actual cost.

8. Calculate the total payroll (labor) cost for each program.

9. Calculate the total payroll cost, ensuring that the sum of the gross pay, plus employer contributions, equals total program costs. This amount should equal the deposit made in the payroll checking account.

10. Note the payroll ledger accounts to which the distributed amounts have been posted.

APPENDIX J

GENERAL LEDGER POSTING (FIGURE J.1)

PAYROLL LEDGER POSTING (FIGURE J.2)

FIGURE J.1
GENERAL LEDGER POSTING

Account No. 4010 Title REGULAR SALARIES Page 40

Date	Description	Ref.	Transactions 4010D	Transactions 4010C	Balance 4010D	Balance 4010C
8/15	To Record Salaries	PJ1	$1,235.80		$1,235.80	

Account No. 4030 Title OVERTIME PREMIUM Page 55

Date	Description	Ref.	Transactions 4030D	Transactions 4030C	Balance 4030D	Balance 4030C
8/15	To Record Overtime	PJ1	$54.09		$54.09	

Account No. 1030 Title CASH IN BANK (Special Payroll) Page 4

Date	Description	Ref.	Transactions 1030D	Transactions 1030C	Balance 1030D	Balance 1030C
8/15	Balance Forward				$421.64	
8/15	Deposit 8/15 Payroll	PJ1	$1,391.64			
8/15	Net Pay 8/15 Payroll	PJ1		$1,029.40	$783.88	

Account No. 2025 Title BENEFITS PAYABLE Page 20

Date	Description	Ref.	Transactions 2025D	Transactions 2025C	Balance 2025D	Balance 2025C
8/15	Balance Forward					$110.00
8/15	To Record Benefits Payable	PJ1		$260.49		$370.49

FIGURE J.2
PAYROLL LEDGER POSTING

Control Account No. 4010 Title REGULAR SALARIES Page 40

FUNCTION ACCOUNTS (OPTIONAL)

Account No. 10 Title PURCHASING

Date	Description	Ref.	Transactions 10D	Transactions 10C	Balance 10D	Balance 10C
8/15	To Record Salaries	PJ1	$78.12		$78.12	

Account No. 20 Title RECEIVING-STORING

Date	Description	Ref.	Transactions 20D	Transactions 20C	Balance 20D	Balance 20C
8/15	To Record Salaries	PJ1	$67.91		$67.91	

Account No. 40 Title PREPARATION

Date	Description	Ref.	Transactions 30D	Transactions 30C	Balance 30D	Balance 30C
8/15	To Record Salaries	PJ1	$582.96		$582.96	

Account No. 30 Title DELIVERY

Date	Description	Ref.	Transactions 40D	Transactions 40C	Balance 40D	Balance 40C
8/15	To Record Salaries	PJ1	$255.61		$255.61	

PROGRAM ACCOUNTS

Account No. 1 Title BREAKFAST

Date	Description	Ref.	Transactions 1D	Transactions 1C	Balance 1D	Balance 1C
8/15	To Record Salaries	PJ1	$200.77		$200.77	

Account No. 2 Title TYPE A LUNCH

Date	Description	Ref.	Transactions 2D	Transactions 2C	Balance 2D	Balance 2C
8/15	To Record Salaries	PJ1	$554.15		$554.15	

Account No. 4 Title A LA CARTE

Date	Description	Ref.	Transactions 4D	Transactions 4C	Balance 4D	Balance 4C
8/15	To Record Salaries	PJ1	$294.53		$294.53	

Account No. 5 Title SPECIAL FUNCTIONS

Date	Description	Ref.	Transactions 5D	Transactions 5C	Balance 5D	Balance 5C
8/15	To Record Salaries	PJ1	$240.44		$240.44	

SAMPLE LEDGER POSTINGS

GENERAL LEDGER

Amounts in the payroll journal are posted directly to the appropriate general ledger accounts at the end of each pay period. The general ledger accounts to which the journal entries are posted are noted on the payroll journal. The sample entries show postings to only four accounts from the sample payroll journal shown in Appendix I.

PAYROLL LEDGER

The program and function distributions in the program and function distribution worksheets are posted to the payroll ledger. This ledger may be set up in a variety of ways, such as:

- a separate page for each program or function for each general ledger account;
- a separate page for programs and another for functions for each general ledger account; and
- a single large page for both programs and functions for each general ledger account.

In any event, the payroll ledger supports the general ledger. Therefore, a duplicate general ledger posting to the control account should be made. Postings to the program accounts and to the function accounts must add up to the control account postings.

The sample entries show three of six function accounts and all program accounts from the sample payroll journal shown in Appendix I. The sample payroll ledger shows partial postings for the regular salaries account. Postings are also required for the overtime premium account and each of the employee benefit accounts.

APPENDIX K

EMPLOYEE PAYROLL RECORD (FIGURE K.1)

SPECIFICATIONS FOR COMPLETION OF RECORD

FIGURE K.1
EMPLOYEE PAYROLL RECORD

Name	Social Security Number	Address
James Bailey	159-32-9505	2100 Atlantic Avenue Brookfield, Md. 20729

Hourly Rate	Withholding Status	Fund	Year
$2.885	2	Food Service	1972

Yearly Rate	Two-Week Rate
$6,006.00	$231.00

FICA	W.T.	Ins.	Ret.	Tot.
$12.00	$27.85	$2.50	-	$42.35

Total Hours	Earnings				Deductions					Net Amount	Period Ending	Number
	Reg.	OT	Total	YTD	FICA	W.T.	Ins.	Ret.	Tot.			
80	$231.00		$231.00	$1,180.78	$12.00	$27.85	$2.50	-	$42.35	$188.65	8/15	591

SPECIFICATION FOR

FIGURE K.1 - EMPLOYEE PAYROLL RECORD

PURPOSE

The purpose is to maintain an individual record for each school food service employee, showing payroll payment history for each payroll period of the current year and the year to date. The individual earnings record is established and maintained to report income and social security information for federal and state income tax purposes.

TIMING

Individual earnings information is posted each time the payroll is processed. It is usually posted before the payroll journal is prepared.

SOURCE OF DATA

Sources of data for the record are as follows:

- time and attendance record for hours worked;
- personnel forms, including employee action notices;
- W-4 Form (social security number);
- medical insurance application; and
- withholding and FICA tax tables.

DISTRIBUTION

After the record is completed by the accountant, it is filed in alphabetical order by employee name.

GENERAL

The accountant establishes and maintains the employee's leave record on the reverse side of the record according to the school district's vacation, holiday, and sick leave policies. Employee status information is taken directly from the time and attendance record.

Figure K.1 displays the payroll record with entries for one payroll period, using payroll figures for one employee for which information is also entered on the payroll journal (Appendix I).

Pertinent information concerning this illustration is as follows:

- No overtime was worked by the employee during the period.
- The employee worked 80 hours within the payroll period. Therefore, the standard deduction line may be referenced for entering deduction information for this particular payroll period.

REPORT FIELD DEFINITIONS

Field	Definition
name	The accountant enters the employee's full name when the record is established
social security number	Enter the Social Security number from the W-4 Form or other personnel record.
address	Enter the home address of the employee.
hourly rate	Enter the regular hourly earnings of the employee. The rate is calculated to the nearest one-tenth of a cent (e.g., $2.885 -- see example, Figure K.1).
yearly rate	Enter the annual regular earnings for the employee.
two-week rate	Enter the payroll regular earnings rate (hourly rate X 80 hours).
total hours	Enter the number of hours worked by the employee for each pay period.
earnings - regular	Enter the product of regular hours worked multiplied by the hourly rate (total hours X hourly rate).

Field	Definition
earnings-OT	Enter the product of overtime hours worked multiplied by one and one-half times the hourly rate (according to payroll policies and contractual agreements.) (overtime hours X hourly rate X 1.5).
total	Enter the sum of regular and overtime earnings.
YTD	Add the prior year-to-date balance to the current total amount.
deductions: FICA, W.T. Ins. Ret.	Enter the amounts of bi-weekly payroll deductions for FICA, federal withholding, state withholding, medical insurance premiums, and retirement payments. A standard entry line appears above these column headings to provide the accountant with a ready source of reference for completing period payroll deductions when the employee's earnings occur at his regular hourly rate.
deductions - total	Enter the sum of columns 6,7,8, and 9.
net amount	Enter total earnings less total deductions (i.e., the fourth column minus the tenth column).
period ending	Enter the month and day on which the payroll period ends.
number	Enter the check number of the payroll check submitted to the employee.

APPENDIX L

PURCHASES JOURNAL (FIGURE L.1)

SPECIFICATIONS FOR COMPLETION OF PURCHASES JOURNAL (FIGURE L.1)

FIGURE L.1
PURCHASES JOURNAL

SCHOOL FOOD SERVICE — SCHOOL LOCATION NO.____ PAGE NO. 7

P U R C H A S E S J O U R N A L (P C H)

Purchased Services		Supplies		Food		Equipment		Other			Due To Other Fund	Invoice No.	Date	Vendor & Description	Purchase Amount
Acct No.	Amount	Acct No.	Amount	Acct No.	Amount	Acct No.	Amount	Acct No.	Amount						
				4620D	$87.50					1		12-496	3/1	Greenfield (Milk Dairy Delivery)	$ 87.50
		4520D	$74.60							2	$74.60	W-143	3/2	United Supply (supplies)	149.20
4310D	$22.50									3		42-01	3/5	Ace Laundry (Laundry)	22.50
										4					
										5					
										6					
										7					
										8					
										9					
										10					
										11					
										12					
TOTALS	$22.50		$74.60		$87.50					13	$74.60				$259.20
										14					
										15					
										16					

General Ledger Posting Rules:

Acct No.											
4300D	Thru 4499D	4500D	Thru 4599D or 1220D	4600D	Thru 4699D or 1210D	4700D	Thru 4799D or 1510D	4800	Thru 4999D	2050C	2010C
Entry	DEBIT										CREDIT
										23	
										24	
										25	

L.2

SPECIFICATION FOR

FIGURE L.1 - PURCHASES JOURNAL

PURPOSE

It is used to record expenses, increases in inventory, and liabilities associated previously with purchases of outside goods and services.

TIMING

Entries are made when the vendor's invoice is received and verification of the receipt of the invoiced goods have been determined by the accountant.

SOURCE OF DATA

Source documents are:

- vendor invoices or statements;
- purchase order; and
- receiving reports.

DISTRIBUTION

There is no distribution; it is retained in accountant's office.

FIELD DEFINITIONS

Field	Definition or Entry Instruction
school location number	Enter the number of the school assigned by the school district.
page number	Enter the page number of the purchases journal. Journal pages are sequentially numbered.
purchased services, supplies, food, equipment, other	These column titles match the major account groupings for the chart of account expense accounts contained

Field	Definition or Entry Instruction
purchased services (cont'd.)	in Chapter V (account 4300-4999). Each column is subdivided so that specific account numbers within the 4300-4999 series may be assigned for each amount entered into the journal. Identical account numbers are grouped and totalled at the end of the accounting period for posting to general ledger accounts.
due from other fund	Enter the amount of the purchase expense incurred by other school district funds which is to be paid from the school food services fund. The general ledger account affected at the end of the accounting period (total of all similar entries made during the month) is "due from _____ _____fund", account 1110-1129. If more than one fund is involved, additional columns or an account number sub-column should be added to the journal format.
invoice number	The vendor's invoice number.
date	The month and day on which each entry is recorded in the purchases journal.
vendor and description	Enter the name of each creditor and a very brief description of the nature of the purchase.
purchase amount	Enter the gross amount. The end-of-month total of this account column is posted to the general ledger account 2010.

ILLUSTRATIVE ENTRIES

Figure L.1 contains three line item entries showing purchases of food (line 1), supplies (line 2), and laundry services (line 3):

Line 1 - Milk was purchased from the Greenfield Dairy on March 1 for $87.50. Vendor invoice No. 12-496 was received.

- Line 2 - The United Supply Co. delivered and invoiced the food service fund for supplies costing $149.20. One-half of the value of the supplies were to be used for general fund purposes and the other half specifically for the food service fund purposes.

- Line 3 - Laundry services were obtained from the Ace Laundry Co. and billed to the food service fund via vendor invoice No. 42-01.

Subsequent purchases during the accounting period by the food service would be entered on remaining lines of the purchase journal. At the end of the month, all entries are totalled by column in the same manner as shown for the three line entries in Figure L.1. These totals are posted to the general ledger accounts at the end of the accounting period. Figure O.1 (Appendix O) illustrates the posting of these purchases journal totals.

APPENDIX M

VENDOR LEDGER (FIGURE M.1)

SPECIFICATIONS (COLUMN HEADING DEFINITIONS)

FOR VENDOR LEDGER

FIGURE M.1
VENDOR LEDGER

School Food Service — Page 6

VENDOR LEDGER

Name	Address	Phone	Account No.
Ace Laundry Co.	4210 Main Street Reedville, Pa.	924-2293	278

Balance	Invoice Number	Date		Name	Payment Amount	Purchase Amount	Discount	Net Amount	Check Number
$ 40.42			1	Balance Forward					
58.92	40-32	2/20/72	2	Ace Laundry		$18.50			
69.32	40-88	3/1/72	3	Ace Laundry		10.40			
91.82	42-01	3/5/72	4	Ace Laundry		22.50			
32.90		3/10/72	5		$58.92			$58.92	123
48.30	42-74	3/25/72	6	Ace Laundry		15.40			
			7						
			8						
			9						
			10						
			11						
			12						
			13						
			14						
			15						
			16						
			17						
			18						
			19						
			20						
			21						
			22						
			23						

SPECIFICATION FOR

FIGURE M.1 - VENDOR LEDGER

PURPOSE

It is used to record all purchases and payments transacted with a particular vendor, as well as the food service fund's current account balance with the vendor.

TIMING

It is posted whenever purchases are recorded in the purchases journal for a particular vendor and whenever payments to the vendor are recorded in the disbursements journal.

SOURCE OF DATA

Source documents are:

- purchases journal; and
- disbursements journal.

DISTRIBUTION

It is retained in the vendor file in the accountant's office.

GENERAL LEDGER CONTROL

The sum of the account balances on all the individual ledger cards must equal the balance in the accounts payable general ledger account.

FIELD DEFINITIONS

Field	Definition or Entry Instruction
page number	Enter the page number of the vendor ledger. Ledger pages are sequentially numbered.
name	Enter the company name of the vendor.

Field	Definition or Entry Instruction
address	Enter the city and street address of the vendor.
phone	Enter the business telephone number of the vendor.
account number	Enter each vendor assigned an identifying number.
balance	Enter the dollar amount outstanding (payable) to the vendor.
invoice number	Enter the vendor's invoice number.
date	Enter the date on which the line entry is recorded in the purchases journal. (The vendor ledger should be posted on the same day.)
name	Enter explanatory notes, e.g., "balance carried forward" or the vendor's company name.
payment amount	Enter the amount disbursed to the vendor when a bill is paid. The source of amounts entered in this column is the disbursements journal (see Appendix N.).
purchase amount	Enter the gross amount of the vendor invoice.
discount	The calculated dollar amount of the discount allowed by the creditor (vendor). The discount amount is calculated (or entered) for each invoice amount, where applicable.
net amount	Enter the difference between the "purchases amount" and the "discount" amount. This amount is the same as the payment amount.
check number	Enter the number on the check by which the vendor is to be paid.

ILLUSTRATIVE ENTRIES

Figure M.1 contains six line item entries showing the following types of postings to the vendor ledger:

- Line 1 - the balance carried forward from a previous vendor ledger page for the Ace Laundry Co.
- Line 2, 3, 4, 6 - school food service purchases from the Ace Laundry Co. of $18.50, $10.40, $22.50, and $15.40.
- Line 5 - A food service payment to the Ace Laundry Co. for $58.92.

APPENDIX N

DISBURSEMENTS JOURNAL (FIGURE N.1)

SPECIFICATIONS FOR COMPLETION OF DISBURSEMENTS JOURNAL

FIGURE N.1
DISBURSEMENTS JOURNAL*

School Food Service — Page 3

DISBURSEMENTS JOURNAL

Cash Rec. and Deposits	Cash Balance	Date		Name	Payment Amount	Discount	Net Amount	Check Number
	$3,462.50		1	Balance Forward				
		3/1/72	2	Eastern Union Tel.	$ 22.50		$ 22.50	120
	3,405.61	3/1/72	3	Handy Hardware Co.	36.20	$ 1.81	34.39	121
		3/5/72	4	United Supply	149.20	14.92	134.28	122
	3,212.41	3/10/72	5	Ace Laundry	58.92		58.92	123
			6					
			7					
			8					
			9					
			10					
			11					
			12					
Total			13			$16.73	$250.09	
			14					

General Ledger
Posting Rules:

Account No.	2010D	3410C	1010C
Entry	Debit	Credit	Credit

			23					
			24					
			25					

*With minor changes, this journal can be designed to include payroll disbursements.

SPECIFICATIONS FOR

FIGURE N.1 - DISBURSEMENTS JOURNAL

PURPOSE

It is used to record all disbursements made from the operating bank account.

TIMING

Entries are recorded as approved payments are made (checks disbursed to vendors).

SOURCE OF DATA

Payment vouchers or authorizations are the sources of data.

DISTRIBUTION

It is retained in the accountant's office.

FIELD DEFINITIONS

Field	Definition or Entry Instruction
page number	Enter the page number of the disbursements journal. Journal pages are sequentially numbered.
cash receipts and deposits	This column reflects cash deposited in the fund's checking account which is available for disbursement to creditors. Usually, a certain amount of cash in the fund's checking account is set aside for this type of disbursement. In some cases, however, it represents the full amount of fund cash available in the checking account.
cash balance	Enter the cash amount available for disbursement to creditors (vendors). This balance serves as a reference

Field	Definition of Entry Instruction
cash balance (cont'd.)	to the accountant in the payment of bills so that the fund's cash account does not become overdrawn.
name	Enter the company name of the vendor.
payment amount	Enter the gross amount of the vendor's invoice.
discount	Enter the calculated dollar amount of the discount allowed.
net amount	Enter the difference between the "Payment Amount" and the "Discount" columns.
check number	Enter the number on the check by which the vendor is to be paid.

ILLUSTRATIVE ENTRIES

Figure N.1 contains five line item entries showing the following types of disbursement journal entries:

- Line 1 - the cash balance brought forward from the previous disbursement journal pages;
- Line 2 and 5 - payments made to vendors where no discounts were allowed; and
- Line 3 and 4 - payments made to vendors where discounts were taken.

Net amount entries are "lined off" for line items 3 and 5 to indicate the last net amount used to calculate the adjacent cash balance amount.

APPENDIX O

FIGURE O.1 - GENERAL LEDGER POSTING ILLUSTRATION

(FOR EXPENDITURE ACCOUNTING, CHAPTER VII)

EXPLANATION OF ILLUSTRATIVE ENTRIES

FIGURE 0.1
GENERAL LEDGER POSTING FOR EXPENDITURE ACCOUNTING

Account No. 2010 Title ACCOUNTS PAYABLE Page 15

Date	Description	Ref.	Transactions 2010D	Transactions 2010C	Balance 2010D	Balance 2010C
2/28	Balance Forward					$1,500.00
3/31	Total Purchases	PCH7		$259.20		$1,759.20

Account No. 4620 Title MILK Page 50

Date	Description	Ref.	Transactions 4620D	Transactions 4620C	Balance 4620D	Balance 4620C
2/28	Balance Forward					
3/31	Total Purchases	PCH7	$87.50		$87.50	

Account No. 2050 Title DUE TO GENERAL FUND Page 17

Date	Description	Ref.	Transactions 2050D	Transactions 2050C	Balance 2050D	Balance 2050C
2/28	Balance Forward					
3/31	Total Due, March	PCH7		$74.60		$74.60

Account No. 1020 Title CASH IN BANK—CHECKING Page 1

Date	Description	Ref.	Transactions 1010D	Transactions 1010C	Balance 1010D	Balance 1010C
2/28	Balance Forward				$3,462.50	
3/31	Total Cash Disb.	DJ3		$250.09		

Account No. 4310 Title LAUNDRY & LINEN Page 40

Date	Description	Ref.	Transactions 4310D	Transactions 4310C	Balance 4310D	Balance 4310C
2/28	Balance Forward				$430.25	
3/31	Total Purchases	PCH7	$22.50		$452.75	

Account No. 3410 Title MISCELLANEOUS REVENUE Page 35

Date	Description	Ref.	Transactions 3410D	Transactions 3410C	Balance 3410D	Balance 3410C
2/28	Balance Forward					$510.00
3/31	Discounts Taken	PCH7		$16.73		$526.73

Account No. 4520 Title CUSTODIAL SUPPLIES Page 41

Date	Description	Ref.	Transactions 4520D	Transactions 4520C	Balance 4520D	Balance 4520C
2/28	Balance Forward				$201.00	
3/31	Total Purchases	PCH7	$74.60		$275.60	

EXPLANATION OF

ILLUSTRATIVE ENTRIES FOR FIGURE O.1

GENERAL

Figure O.1 displays examples of seven general ledger accounts pages for the following ledger accounts:

- Assets - Cash in Bank, Checking
  - Due from General Fund
- Liabilities - Accounts Payable
- Revenue - Miscellaneous Revenue
- Expense - Laundry and Linen
  - Custodial Supplies
  - Food (Milk)

JOURNAL SOURCE

These accounts show postings from the purchases journal and the disbursements journal as normally performed at the end of the accounting period. The particular postings shown match the examples shown in Figure L.1, Purchases Journal (Appendix L) and in Figure N.1., Disbursements Journal (Appendix N). The journal source for each general ledger posting is as follows:

JOURNAL SOURCE		
NAME OF JOURNAL	JOURNAL COLUMN TITLE	LEDGER ACCOUNT POSTED
Purchase Journal	Purchase Amount	Accounts Payable
Purchase Journal	Due from Other Fund	Due from General Fund
Purchase Journal	Purchased Services	Laundry and Linen
Purchase Journal	Supplies	Custodial Supplies
Purchase Journal	Food	Milk
Disbursements Journal	Net Amount	Cash in Bank, Checking
Disbursements Journal	Discount	Miscellaneous Revenue

APPENDIX P

ALLOCATION WORKSHEET FOR PURCHASED SERVICES, INDIRECT LABOR, AND OTHER EXPENSES (FIGURE P.1)

SPECIFICATION FOR USE OF ALLOCATION WORKSHEET

FIGURE P.1
ALLOCATION WORKSHEET FOR PURCHASED SERVICES,
INDIRECT LABOR, AND OTHER EXPENSES

① Amount To Be Allocated: $90.00			A		② Cost Being Allocated: Trash Removal			
③ School or Program Name		④ Allocation Basis: Cost of Food Sold			⑥ Percentage $B_n \div C = D_n$		⑧ Amount Allocated $D_n \times A = E_n$; $A = F$	
Greenwood School	1	$640.00	B1		33.3%	D1	$29.97	E1
Franklin School	2	965.00	B2		50.1	D2	45.09	E2
Hoyt School	3	320.00	B3		16.6	D3	14.94	E3
	4		B4			D4		E4
	5		B5			D5		E5
	6		B6			D6		E6
	7		B7			D7		E7
	8		B8			D8		E8
	9		B9			D9		E9
	10		B10			D10		E10
	11		B11			D11		E11
	12		B12			D12		E12
	13		B13			D13		E13
	14		B14			D14		E14
	15		B15			D15		E15
	16		B16			D16		E16
	17		B17			D17		E17
	18		B18			D18		E18
	19		B19			D19		E19
	20		B20			D20		E20
	21		B21			D21		E21
	22		B22			D22		E22
	23		B23			D23		E23
	24		B24			D24		E24
	25		B25			D25		E25
	Total	⑤ $1,925.00	C		⑦ 100.0%		⑨ $90.00	F

SPECIFICATION FOR

FIGURE P.1 - USE OF ALLOCATION WORKSHEET FOR

PURCHASED SERVICES, INDIRECT LABOR, AND OTHER EXPENSES

PURPOSE AND USE

The allocation worksheet for purchased services, indirect labor, and other expenses should be used to make all allocations to both locations and programs, except the allocation of cost of food sold to programs, and for all allocations from other funds to the school food service fund. The form can be used to allocate costs to up to 25 locations. If an allocation is to more than 25 locations, additional sheets should be used and labeled.

INSTRUCTIONS

1. Enter the total amount that must be allocated (Amount A).

2. Enter the title of the cost being allocated.

3. Enter the name of each location or program to which the cost must be allocated.

4. Enter the name of the allocation basis, which may be total revenue, cost of food sold, direct hours of use, etc. Enter the amount of the base applicable to each program or location. ("n" represents the number of programs or locations to which allocations are to be made.)

5. Add amounts B1 through Bn and enter the total of the allocation basis (Amount C).

6. Divide Amount C into amount B1 . . . Bn to arrive at the percentage applicable to each program or location (Amount Dn).

7. Add Amounts D1 . . . Dn to ensure that the total is equal to 100 percent.

8. Multiply amounts (the percentages) D1 . . . Dn by amount A to arrive at the amount allocated to each program or location (amount En). Enter these amounts in the income statement (or worksheet) of the program or location.

9. Add amounts E1 . . . En to ensure that the total amount allocated is equal to the total amount to be allocated (amount A).

ILLUSTRATION (SEE FIGURE P.1)

1. and 2. The monthly cost of $90 for trash removal for the school district food services is to be allocated.

3. The allocation is to be made to three schools -- Greenwood, Franklin, and Hoyt.

4. The allocation basis is cost of food sold of which the three schools have incurred year-to-date costs in the following amounts:

Greenwood School	$640.00
Franklin School	$965.00
Hoyt School	$320.00

5. The total cost of food sold for the three schools is $1,925.

6. The three schools accounted for the following percentages of cost of food sold:

Greenwood School	33.3% (640/1925)
Franklin School	50.1% (965/1925)
Hoyt School	16.6% (320/1925)

7. The amounts allocated to each school are:

Greenwood School	$29.97 (33.3% of $90)
Franklin School	$45.09 (50.1% of $90)
Hoyt School	$14.94 (16.6% of $90)

APPENDIX Q

FIGURE Q.1 - ALLOCATION WORKSHEET FOR COST OF FOOD SOLD TO PROGRAMS

SPECIFICATION FOR USE OF ALLOCATION WORKSHEET

FIGURE Q.1
ALLOCATION WORKSHEET FOR COST OF FOOD SOLD TO PROGRAMS

Amount To Be Allocated: ① $165.39					A	Name of School: ② Greenwood School				
③ Type of Meal		④ Number of Meals Served		⑤ Standard Meal Cost		⑥ Total Standard Cost ($B_n \times C_n$)		⑧ Percent of Total ($D_n \div E$)		①
Breakfast	1	110	B1	$.28	C1	$ 30.80	D1	19.3%	F1	
Type A Lunch	2	238	B2	.54	C2	128.52	D2	80.7	F2	
	3		B3		C3		D3		F3	
	4		B4		C4		D4		F4	
	5		B5		C5		D5		F5	
Total		348				⑦ $159.32	E	⑨ 100.0%		

Amount To Be Allocated: $256.19					A	Name of School: Franklin School				
Breakfast	1	73	B1	$.28	C1	$ 20.44	D1	8.3%	F1	
Type A Lunch	2	419	B2	.54	C2	226.26	D2	91.7%	F2	
	3		B3		C3		D3		F3	
	4		B4		C4		D4		F4	
	5		B5		C5		D5		F5	
Total		492				$246.70	E	100.0%		

Amount To Be Allocated: $282.23					A	Name of School: Hoyt School				
Type A Lunch*	1	503	B1		C1		D1		F1	
	2		B2		C2		D2		F2	
	3		B3		C3		D3		F3	
	4		B4		C4		D4		F4	
	5		B5		C5		D5		F5	
Total		503					E	100.0%		

*No allocation required since only one program is involved.

FIGURE Q.1
ALLOCATION WORKSHEET FOR COST OF FOOD SOLD TO PROGRAMS

d: ① $165.39			A	Name of School: ② Greenwood School					
④ Number of Meals Served		⑤ Standard Meal Cost		⑥ Total Standard Cost ($B_n \times C_n$)		⑧ Percent of Total ($D_n \div E$)		⑩ Amount To Be Allocated ($F_n \times A$)	
110	B1	$.28	C1	$ 30.80	D1	19.3%	F1	$ 31.92	
238	B2	.54	C2	128.52	D2	[illegible].7	F2	133.47	
	B3		C3		D3		F3		
	B4		C4		D4		F4		
	B5		C5		D5		F5		G
348				⑦ $159.32	E	⑨ 100.0%		$165.39	

: $256.19			A	Name of School: Franklin School					
73	B1	$.28	C1	$ 20.44	D1	8.3%	F1	$ 21.26	
419	B2	.54	C2	226.26	D2	91.7%	F2	234.93	
	B3		C3		D3		F3		
	B4		C4		D4		F4		
	B5		C5		D5		F5		
492				$246.70	E	100.0%		$256.19	G

: $282.23			A	Name of School: Hoyt School					
503	B1		C1		D1		F1	$282.23	
	B2		C2		D2		F2		
	B3		C3		D3		F3		
	B4		C4		D4		F4		
	B5		C5		D5		F5		
503					E	100.0%		$282.23	G

d since only one program is involved.

SPECIFICATION FOR USE OF ALLOCATION WORKSHEET FOR
COST OF FOOD SOLD TO PROGRAMS

PURPOSE AND USE

The Allocation Worksheet for Cost of Food Sold to Programs is to be used to make allocations to programs at individual school locations. Three location allocations may be made on a single sheet.

INSTRUCTIONS

1. Enter the cost of food sold to be allocated to programs.

2. Enter the name of the school location.

3. Enter the names of the programs to which the costs are to be allocated.

4. Enter the number of meals served in each program (amounts B1 through B5).

5. Enter the standard meal cost for each type of meal (amounts C1 through C5).

6. Multiply amounts B1 through B5 by amounts C1 through C5, respectively, to arrive at the total standard meal cost for each type of meal (amounts D1 through D5).

7. Add amounts D1 through D5 to arrive at the total standard meal cost (amount E).

8. Divide amount E into amounts D1 through D5 to arrive at the percentage assignable to each program (amounts F1 through F5).

9. Make certain the sum of amounts F1 through F5 is equal to 100 percent.

10. Multiply amounts F1 through F5 by amount A to arrive at the amounts allocated to each program. Make certain that the sum of these amounts (amount G) is equal to amount A.

EXPLANATION OF SAMPLE ENTRIES

1. and 2. The total cost of goods sold at Greenwood School is $165.39.

3. The total is to be allocated tc two programs, breakfast and type A lunch.

4. The following number of meals were served:

Breakfast	110
Type A Lunch	238

5. The standard meal costs are:

Breakfast	$.28
Type A Lunch	$.54

6. The total standard costs for each meal type are:

Breakfast	$30.80 (110 X $ .28)
Type A Lunch	$128.52 (238 X $ .54)

7. The total standard cost is $159.32 ($30.80 + $128.52)

8. The percentage shares by program are:

Breakfast	19.3% ($30.80 ÷ $159.32)
Type A Lunch	80.7% ($128.52 ÷ $159.32)

9. 19.3% + 80.7% = 100%

10. The amounts to be allocated are:

Breakfast	$31.92 (19.3% X 165.39)
Type A Lunch	$133.47 (80.7% X 165.39)

APPENDIX R

CASH RECEIPTS AND DISBURSEMENTS JOURNAL

FOR SMALL SCHOOL DISTRICTS

SPECIFICATIONS (COLUMN HEADING DEFINITIONS)

FOR CASH RECEIPTS AND DISBURSEMENTS JOURNAL

FIGURE R.1

CASH RECEIPTS AND DISBURSEMENT JOURNAL F

Page M._____

CR-DJ

Line No.	Date	Remarks	Cash		Accts. Rec.		Sales, Pupils	Sales, Adults	Price Reduct.	Misc. Revenue (Local)	State Revenue	Federal Revenue	Sa
			1010D	1010C	1100D	1100C	3100C	3200C	3300D	3400C	3500C	3700C	Amt
1	9/1	Meal Sales	255.00				500.00		245.00				
2	9/2	Federal Reimb. Rec.	250.00			250.00							
3	9/3	Federal Reimb. Claim			85.00							85.00	
4	9/4	PTA Dinner (Payment Due)			300.00			300.00					
5	9/5	State Reimbursement Claim			260.00						260.00		
6	9/8	PTA Dinner, 9/4, Payment	300.00			300.00							
7	9/11	James Bailey, Salary, 9/5		188.65									231.
8	9/11	Barbara James, Salary, 9/5		266.67									288.
9	9/11	Barbara James, Overtime, 9/5											54.
10	9/12	Greenfield Dairy, #12-496											
11	9/12	United Supply, #W-143			74.60								
12	9/12	Eastern Union Tel. Co. (Payment)		22.50									
13	9/15	Handy Hardware Co. (Payment)		34.39						1.81			
14	9/16	United Supply (Payment)		134.28						14.92			

FIGURE R.1

RECEIPTS AND DISBURSEMENT JOURNAL FOR SINGLE UNIT SCHOOLS

Price Reduct. 3300D	Misc. Revenue (Local) 3400C	State Revenue 3500C	Federal Revenue 3700C	Salary Expense		Food Expense 4600D	Supplies Expense 4500D	Other Expense		Liabilities		Check #	Cash Balance
				Amt.	Acct. No.			Amt.	Acct. No.	Amt.	Acct. No.		750.00
245.00													1,005.00
													1,255.00
			85.00										
		260.00											
													1,555.00
				231.00	4000D					42.35	2000C	591	1,366.35
				288.48	4000D					75.90	2000C	592	1,099.68
				54.09	4100D								
						87.50				87.50	2000C		
							74.60			149.20	2000C		
										22.50	2000D	593	1,077.18
	1.81									36.20	2000D	594	1,042.79
	14.92									149.20	2000D	595	908.51

SPECIFICATION FOR

FIGURE R.1 - CASH RECEIPTS AND DISBURSEMENTS JOURNAL

FOR SMALL SCHOOL DISTRICTS

PURPOSE

The cash receipts and disbursements journal for small schools districts is the book of original entry for the following types of transactions:

- all cash receipts;
- all meal sales;
- all recordings of accounts receivable;
- gross and net employee earnings;
- employee deductions and employer contributions;
- expenses and increases in inventories and liabilities; and
- disbursement made from the cash account.

TIMING

Entries are made on a daily basis to this journal. Receipts are entered on the same day of actual receipt of cash or checks. Journal entries for payroll transactions are prepared every pay period. Purchases transactions are made when the vendor's invoice is received and verification of receipt of the invoiced goods has been determined. Disbursement transactions are recorded as approved payments are made.

SOURCE OF DATA

- Revenue
  - cash receipts and participation report, and
  - checks and transfer entries received.
- Expense
  - employee time and attendance report,
  - employee payroll records maintained for all school district personnel,
  - vendor invoices,
  - purchase orders, and
  - receiving reports.

DISTRIBUTION

After the journal has been used to post amounts to the general ledger, it is filed in chronological order with journal sheets that have previously been posted.

FIELD DEFINITIONS

Field	Definition or Entry Instruction
page no. _____	The page number of the journal. Pages are sequentially numbered.
date	Enter the month/day on which the journal entry is made.
remarks	A brief description as to the type of entry to be made. Payroll entries should include the period for which the payroll check is being prepared. Purchase entries should reference vendor invoice numbers. Payment entries should be indicated as such in this column.
cash	Enter amounts for all cash received in column 1010D. Enter amounts for cash disbursed in column 1010C.
accounts receivable	Enter amounts due from others in column 1100D. Enter amounts paid but previously due from creditors in column 1100C.
sales, pupils sales, adults miscellaneous revenue	As sales are made each day to pupils, adults, or organizations using food service operations, enter the amount of the revenue in the appropriate column.
price reduction	Enter the total amount of price reduced meals sold.
state revenue federal revenue	As revenue is earned from either the State or Federal Government, the amount earned is recorded in the appropriate columns.
salary expense	All payroll expense amounts are entered in this column, including salaries to food service personnel and benefits paid. The column is subdivided so that specific account

Field	Definition or Entry Instruction
salary expense (cont'd.)	numbers (4000D, 4100D, 4200D) may be entered next to each amount entered. Identical account numbers are grouped and totalled at the end of the accounting period for posting to general ledger accounts.
food expense supplies expense	Enter the amounts of expense for food and supplies in the appropriate column as the expenses are incurred.
other expenses	This column is subdivided so that specific account numbers for purchased services (4300D), equipment (4700D, 4750D), and other (4800D) may be entered opposite each amount as the expense is incurred.
liabilities	Accounts payable (2000C, 2000D) and accrued liabilities (2200C, 2200D) amounts are entered in this column as they are incurred.
check number	The number on the check by which the vendor or employee is to be paid.
cash sales	The cash amount available for disbursement. This balance serves as a reference to the accountant in the payment of bills so that the fund's cash account does not become overdrawn.

NOTES ON USE

a. Begin a new page each month.

b. Ensure that the dollar amounts for all "D" account are equal to the dollar amount recorded for "C" accounts.

c. Record negative amounts by enclosing them in parentheses.

d. Total all columns which are not subdivided at the end of the month and record the totals in the general ledger. Group and total amounts for identical account numbers in the sub-divided columns, using a worksheet for these computations, and post these totals to the general ledger.

ILLUSTRATIVE ENTRIES

The journal shown in Figure T.1 displays fourteen sample entries. These entries include revenue, payroll, and other expense transactions. The individual transactions are described as follows:

Line No.	Description
1.	Meals were sold to pupils for which $255.00 was received on September 1. The cash balance on that date before the transaction was posted was $755.00
2.	A federal reimbursement check for $250.00 was received on 9/2.
3.	The school food services manager completed and submitted the monthly claim for reimbursement to the Federal Government. The amount claimed was $85.00
4.	On September 4, the PTA used the food service facilities for a banquet, and the fund incurred expenses on behalf of the Association in the amount of $300.00.
5.	On September 5, a state reimbursement claim was filed for $260.00.
6.	The PTA submitted a check in full payment for fund expenses incurred.
7, 8, 9.	Food service fund employees were paid for the period ending September 5.
10.	Greenfield Dairy presented an invoice to the school food service fund on 9/12.
11.	Supplies were purchased by the fund on 9/12. The total amount of the purchase order was $149.20. Half of the order was purchased on behalf of the school's general fund.
12, 13, 14.	Three vendor payments were made. Check numbers 593, 594, and 595 were issued. Two payments involved discounts of $1.81 and $14.92.

GLOSSARY[1]

Account - a descriptive heading under which similar financial transactions, such as assets and liabilities, are recorded.

Accounting - the recording and reporting of financial transactions. Accounting is subdivided as follows:

- system design - establishing internal controls and recording methods;
- bookkeeping - keeping transaction records;
- auditing - testing and reviewing records for propriety and accuracy; and
- reporting - informing other individuals or parties of the information contained in the records.

Accounting Entity - any organization or its subdivision for which a separate accounting system is maintained. A fund such as the school food service fund, is an accounting entity.

Accounting Period - a specific time period for which financial statements are prepared. The most common accounting periods are the month and year. The day and week are also used.

Accounting System - the total structure of records and procedures which classify, record, and report information on the financial position and operations of an accounting entity.

Accruals - transactions, or bookkeeping entries, which adjust an accounting system to reflect revenue when it is earned though not yet collected and expenditures when incurred but not yet paid. A system which includes as revenue only cash received and as expenditures only cash paid out is said to be on a "cash basis." Accruals, therefore, convert cash basis accounting to an accrual basis. Accruals may be made at any time during the accounting period or at the end of an accounting period.

Accrual Basis (of Accounting) - the basis of accounting under which revenues are recorded when earned, regardless of when cash is received, and expenditures are recorded when goods or services are used, regardless of when cash is disbursed. Accrual accounting contrasts with the cash basis. Under the accrual basis, as soon

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[1] Underlined terms in the definitions are defined elsewhere in the glossary.

as legal title has passed to buyer or seller it is recorded on the accounting records. Under this method of accounting, the accounting books are always more complete, therefore, affording a sound basis for preparing informative periodic financial statements.

Accrued Expenses (or Costs) - expenses which have been incurred but have not yet been paid (e.g., salaries earned by employees but not yet paid).

Accrued Revenue - revenue which has been earned but for which cash has not yet been received (e.g., revenue resulting from charge sales).

Accumulated Depreciation - the total amount of depreciation applicable to a fixed asset or group of fixed assets which has (have) been charged in all accounting periods.

Activity (for an Accounting Period) - for any general ledger account, the difference between the balance at the end of the period and the balance at the beginning of the period.

Adjusting Entries - the entries made at the end of an accounting period to record depreciation and accruals or to correct errors. An example is an entry to record the difference between perpetual inventory and a physical inventory.

Allocation Basis - a cost, revenue, or other measure directly chargeable, or allocated, to a location or program; a percentage of which will be used to allocate another cost.

Appropriation - an amount made available for expenditure for a particular purpose during a specific time period.

Assets - the entire property and anything of value owned by the accounting entity. Assets are normally subdivided into current assets, and fixed assets.

Audit - the examination of records and documents and the accumulation of other information for one or more of the following purposes:

. determining the propriety of proposed or completed transactions;

. ascertaining if all transactions have been recorded; or

. determining if transactions are recorded accurately in the accounts and in the statements drawn from the accounts.

Balance Sheet - a summarized statement of the financial condition of an accounting entity, or group of entities, showing assets, liabilities, and equity (or fund balance) as of a certain date. The balance sheet is sometimes called a position statement.

Books of Account - all the books of original and final entry, and the invoices, vouchers, contracts, and correspondence that result from the accounting system operation.

Book of Final Entry - the general ledger; one of the books of account.

Book of Original Entry - a journal, or journals; another type of the book of account. The journal, often referred to as a book of original entry, serves as a diary in which each transaction or batch of transactions is recorded intact. The next step is to record these over again the ledgers, or books of final entry. In this manual, the following books of original entry are recommended: purchase journal; disbursements journal; payroll journal; and receipts journal.

Budgetary Accounts - those general ledger accounts used in final accounting for the administrative control of expenditures.

Cash Basis (of Accounting) - the basis of accounting in which revenue and expenses are recognized only when cash is received or disbursed. Cash basis of accounting contrasts with the accrual basis.

Cash Receipts - cash acquired by the school food service fund or location. Cash receipts must not be confused with revenue which represents the value of income earned, or with sales, which represents the value of meals delivered.

Central Preparation Site - a central kitchen where meals are prepared to be delivered and served at one or more satellite services.

Change Bank - an amount of cash kept on hand for the purpose of making change, generally not handled on an imprest basis.

Chart of Accounts - a list of accounts systematically arranged, which are applicable to a specific accounting entity. The chart of accounts gives account names and numbers, if any. The term is frequently used to mean the chart of general ledger accounts; however, other accounts can be included.

Closing Entries - the entries made at the end of an accounting period (usually at the end of a year) which bring the balance of revenue and expense accounts to zero and which adjust the fund balance accounts for income earned during the period.

Cost per Meal - total costs incurred during an accounting period divided by the number of meals served. Frequently, a separate figure is calculated for each type of meal served.

Credit - in double entry bookkeeping, an entry on the right side of an account or ledger. Credits reduce asset and expense accounts, and increase liability, equity, and revenue accounts.

Cost - the amount of money or money's worth given for property or services. A cost is an asset value; it may still be traced within the organization. Thus, the labor of a server on the service line may be traced to the function or program on which he is working. It is an expenditure or outlay of cash, other property, or services for services or goods purchased. For this manual, the term's most common usage is found in "cost of food sold." In this context, cost relates only to material costs (food costs) incurred intentionally to produce the revenues of the accounting period. In this sense, "cost" is defined as a special type of expense.

Cost Accounting - that method of accounting which provides for assembling, recording, and totaling all the elements of cost incurred to accomplish a purpose, to carry on an activity (or operation), or to complete a unit of work (e.g., a meal).

Current Assets - those items which are readily convertible to cash or which will be consumed within a year.

Current Liabilities - those liabilities which are due and payable within a year.

Current Ratio - the ratio between current assets and current liabilities.

Debit - in double entry bookkeeping, an entry on the left side of an account or ledger. Debits increase asset and expense accounts and reduce liability, equity, and revenue accounts.

Depreciation - loss in value or service life of fixed assets because of wear and tear, use, elapse of time, inadequacy, or obsolescene.

Depreciation Expense - that amount of depreciation charged to a particular accounting period. Accumulated depreciation is the total amount of depreciation applicable to a fixed asset or group of fixed assets which has been charged in all accounting periods.

Direct Cost - those elements of cost which can be easily and conveniently identified with and charged to a specific activity or activities. Direct cost is opposite of those elements of cost incurred simultaneously for several different activities and which are, therefore, not readily identifiable with a specific activity.

Direct Labor - either hours or cost of labor that can be easily and conveniently identified with and charged to a specific activity.

Disbursement - payment in cash, or by check, for the purpose of acquiring an asset or service. Disbursements are made from time to time as needed. The term is not synonymous with expenditure, which has a broader definition; a disbursement is one type of expenditure.

Donated Commodity - food supplies which are provided to the school food service fund free or at a minimal charge (for storage, handling, or transportation costs). The full value of such commodities is recorded as both a revenue at the time of receipt of the commodities and as an expense when the commodities are used.

Double Entry Bookkeeping - a system of bookkeeping which provides that every entry on the debit side of an account or accounts be accompanied by an equal entry on the credit side. The double entry system is normally followed in all accounting systems.

Encumbrance - a reservation of appropriations for expenditure.

Equity - the difference between total assets and total liabilities. In fund accounting, the term fund balance is used instead of equity.

Expenditure - the acquisition of a liability, the payment of cash, or the transfer of property for the purpose of acquiring an asset or service.

Expense - a cost or asset which has been consumed in the gaining of revenues.

Fixed Assets - those items which will be consumed over a period of several years.

Food Cost - in school food service fund accounting, the total value of food used during the accounting period. In determining value, the actual cost of food purchased at market price, plus storage, handling, and freight cost is used, and market value is used for food received free, or at reduced prices.

Full Sales Value - the price at which a meal would be sold if no price reductions were offered.

Function - in school food service fund accounting, a function is a group of services designed to accomplish a particular purpose or activity.

Fund - a sum of money or other resources set aside for a specific purpose or activity. Each fund is a separate accounting entity.

General Ledger - a ledger containing accounts on which all the transactions of an accounting entity are classified. General ledger accounts may provide all the detail neccesary for proper management, or they may be in summary form, with the necessary detail provided in subsidiary ledgers.

Gross Price Procedure - the method of accumulating meal sales at full sales value and adjusting the gross sales revenue for price reductions.

Gross Sales Revenue - the combined full sales value of all meals served during an accounting period.

Imprest System - a system for handling disbursements whereby a fixed amount of money is set aside for a particular purpose (e.g., cash register change). At certain intervals, a report of the amount disbursed (or received) is rendered, and the cash is returned to its original level. The total cash, plus unreplenished disbursements (or minus undeposited receipts), must always equal the fixed sum of cash set aside.

Income - revenue earned during an accounting period; not all cash receipts constitute income under the accrual method.

Income and Expense Statement - a summary of revenue and expenses of an accounting entity or group of entities for a particular accounting period. It sometimes is referred to as an operating statement.

Indirect Expense - an expense not easily identifiable with the production of services (or goods) or with a specific program or activity. Indirect expense is contrasted to certain expenses which can be easily identified with specific goods or activities. The borderline between direct and indirect expenses cannot be easily defined and often depends upon the frame of reference. The salary of the cafeteria cook may be a direct cost of the preparation function, but, if the preparation function produces several types of meals (programs), the cook's salary will be an indirect expense when determining the cost of each program type of meal.

Inventory - (1) all food and supplies on hand, or in storage, at the end of an accounting period; (2) a detailed list of property on hand at a given time.

Inventory Turnover - the number resulting from dividing average monthly inventory into average monthly sales.

Invoice - an itemized statement of merchandise shipped or sent to a purchaser with the quantity, data, value, and prices and charges specified.

Journal - any form in which the financial transactions of an accounting entity are formally recorded for the first time, such as a cash receipts journal or check register.

Journal Voucher - a source document on which financial transactions are recorded and authorized for entry into the bookkeeping system when no other appropriate source document (e.g., deposit slip) is available.

Labor Cost - the cost of personnel (as distinguished from supplies and food) attributable to any or all functions or programs during an accounting period.

Ledger - one of the books of account in which the transactions affecting one or more accounts are summarized.

Liabilities - amounts owed to others. Liabilities are frequently subdivided into current liabilities and long-term liabilities.

Liquidation - the payment of a debt (liquidation of liabilities); the collection of amounts owed to the school food service to the school food service fund (liquidation of receivables).

Location Account - in food service fund accounting, the identification of a single fund (school location) within a logical grouping of funds (school districts).

Long-Term Liability - those liabilities which are due and payable in more than a year.

Market Value - the cost of an item under normal market conditions.

Meals per Labor Hour - the number of meals served divided by the total number of direct labor hours during a given accounting period. Frequently, separate figures are calculated for each type of meal served.

Net Working Capital - the difference between current assets and current liabilities.

Object Account (or Classification) - the revenue or expense account that identifies what type of revenue was received or what type of goods or service were procured. In school food service fund accounting, a separate general ledger account is maintained for each object; therefore, "object account" is synonymous for "revenue or expense account."

Operating Statement - an income and expense statement.

Participation - the number of different types of meals served during a given period to various classes of purchasers.

Participation Worksheet - usually used to keep track of participation as meals are served. Special cash register keys may be used for the same purpose.

Payment Voucher - a source document prepared by the school food service fund authorizing payment of a specific amount to another party. Payment vouchers are used when invoices are not received (e.g.,for monthly rental payments).

Payroll - the periodic payments made to individuals for services rendered, plus payments to others on behalf of such individuals (such as withholding taxes, hospitalization contributions, etc.).

Periodic Inventory - an inventory system in which no records of inventory levels are maintained and in which a physical inventory is taken at the end of each accounting period. The amount of goods consumed is equal to the beginning inventory, plus purchases during the accounting period, minus ending inventory.

Perpetual Inventory - an inventory for which records are maintained that will show the value of the inventory at any time. To accomplish this, all additions and withdrawals from inventory must be recorded as they take place. Such an inventory system may not be used by all school food service funds; rather, a physical inventory at the end of the accounting period may be used to determine "cost of food" for the period.

Petty Cash - a sum of cash set aside for making immediate payments of comparatively small amounts when the preparation of a payment voucher and a check would be too time consuming and expensive.

Petty Cash Slip - a source document used to provide documentation for any petty cash used and to provide a means for recording the disbursement in a journal.

Physical Inventory - an inventory determined by actual observation, counting, weighing, or measuring the items on hand. It is normally taken at the end of an accounting period.

Position Statement - a balance sheet.

Posting - the act of transferring the detailed or summarized data contained in the books of original entry to an account in a ledger.

Profit - the result of excess revenues earned in a given accounting period over costs incurred during the period.

Program - in school food service fund accounting, the source (type of meal) of revenue or expense.

Pro rating - the act of allocating undistributed costs or revenues to functions or programs in proportion to the benefit received by the functions or programs. A "pro rated" share is a proportional share.

Purchase Listing - a source document authorizing a vendor to deliver specified goods or services and to make a charge for them.

Purchase Requisition - a written request from one department to another or to the purchasing officer to purchase needed goods or services.

Purchased Commodity - a commodity procured on the open market, as distinguished from donated commodities which are procured through other means for less than the normal market price.

Purchases - the total goods and services received from vendors during the accounting period, regardless of when they were ordered or when payment is made.

Receivables - amounts owed to the school food service fund.

Receiving Report - a form used in the school food service accounting system which certifies that goods ordered and billed by the vendor have actually been received. A purchase order stub or a copy of a purchase order may be used as a receiving report.

Reimbursement - a cash payment to a school food service fund made by a federal, state, or local agency. Reimbursement is made at a specific rate (e.g., cost per lunch) or a specific cost, or a percentage of such costs.

Reimbursement Claim Form - a report (essentially an invoice) to the state educational agency (or FNS regional office, where applicable) detailing allowable costs incurred during a specific period and requesting reimbursement of such costs. Other data also are included.

Register - a book used to record a single class of transactions. Registers normally function as journals, but they may also serve as subsidiary ledgers. For example, a check register (check book) kept in sufficient detail may serve as both a cash disbursements journal and as a cash account ledger.

Revenue - the gross increase in equity during an accounting period. In school food service fund accounting, revenue includes the value of meals served, plus reimbursement earned and the value of donated commodities received.

SAMP (Special Assistance Milk Program) - milk served to needy children at no charge, other than the first half pint of milk served as part of the type A lunch or breakfast. Schools must be approved to participate in the Special Assistance Milk Program.

Satellite Service - a place where meals are served that is a different location from the central preparation site.

SMP (Special Milk Program) - milk served to children at a reduced price or at no charge other than the first half pint of milk served as part of the type A lunch or as part of the breakfast. Schools must be approved to participate in the Special Milk Program.

Standard Meal Cost - the predetermined (essentially) average cost of a particular type of meal (e.g., type A lunch) used to help control costs and to allocate food costs to programs.

Statement of Changes in Financial Position - a report which summarizes the effect of financial transactions on the cash account, and also reflects other important transactions not affecting the cash account.

Stores - food and supplies inventory.

Subsidiary Account - One of several accounts maintained in greater detail than a general ledger account. Its total is equal to that in the general ledger account.

Subsidiary Ledger - a supporting ledger consisting of a group of accounts whose total is equal to a single general ledger account or to a group of related general ledger accounts. In school food service fund accounting, a subsidiary ledger will be maintained for revenue accounts (broken down by program) and expenditure accounts (broken down by function).

Summary Account - an account which represents a summary of general ledger accounts.

Time and Attendance Sheet - a source document that shows the hours worked by an individual during a specific period, as well as hours of personal and sick leave taken. Time and attendance sheets are used to accumulate labor costs during an accounting period.

Transaction - an event or condition, which gives rise to an entry in accounting records.

Trial Balance - a list, or abstract, of the balances, or the total debits and total credits, of the accounts in the general ledger. Its purpose is to determine the equality of posted debits and credits and to establish a basic summary for financial statements.

Variance - the difference for the accounting period between the actual cost of food sold and the total standard cost based on standard meal costs.

Vendor Invoice - an invoice or bill from a vendor for purchased goods or services.

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